

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

Glen Rose Independent School District
Annual Financial Report
For The Year Ended August 31, 2017

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
Certificate of Board.....	1	
FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	12	A-1
Statement of Activities.....	13	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	14	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	16	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	17	C-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	18	E-1
Notes to the Financial Statements	19	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	39	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System Of Texas.....	41	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas.....	42	G-3
Notes to Required Supplementary Information.....	43	
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	44	J-1
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	46	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	47	J-3
Debt Service Fund.....	48	J-4
Report on Internal Control over Financial Reporting and on Compliance and		
Other Matters Based on an Audit of Financial Statements Performed		
in Accordance with <i>Government Auditing Standards</i>	49	
Report on Compliance for Each Major Program and on Internal Control over		
Compliance Required by Title 2 CFR Part 200 (Uniform Guidance).....	51	
Schedule of Findings and Questioned Costs	53	

Glen Rose Independent School District
Annual Financial Report
For The Year Ended August 31, 2017

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Corrective Action Plan.....	54	
Schedule of Expenditures of Federal Awards	55	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	56	
Schedule of Required Responses to Selected School First Indicators.....	57	K-2

Introductory Section

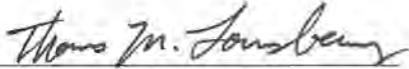
CERTIFICATE OF BOARD

Glen Rose Independent School District
Name of School District

Somervell
County

213-901
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, 2017, at a meeting of the board of trustees of such school district on the 21 day of December, 2017.



Signature of Board Secretary



Signature of Board President

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

Financial Section



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Glen Rose Independent School District
P.O. Box 2129
Glen Rose, Texas 76043

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 the Glen Rose Independent School District ("the District") as of and for the year ended August 31, 2017, 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 Glen Rose Independent School District as of August 31, 2017, and the respective changes in financial position, 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 schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Glen Rose Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the financial statements.

The other supplementary information, except for Exhibit J-2, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and Exhibit J-2 of the other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017 on our consideration of Glen Rose Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Glen Rose Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams
December 18, 2017

Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2017. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$38,071,691 (*net position*). Of this amount, \$17,254,272 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,730,494. Approximately 53 percent of this total amount, \$10,988,918, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,988,918 or 38 percent of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 14-17 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those 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. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net assets that can be found on page 18.

Notes to the financial statements. The notes 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 19-38 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 39-43 of this report.



Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, net assets exceeded liabilities by \$38,071,691, as of August 31, 2017.

The District's Net Position

	August 31, 2017	August 31, 2016
Current assets	\$ 24,484,613	\$ 28,887,439
Capital assets	39,629,471	40,026,524
Total assets	<u>64,114,084</u>	<u>68,913,963</u>
Deferred outflows of resources		
Deferred outflow related to pensions	2,274,921	2,618,935
Total deferred outflows of resources	<u>2,274,921</u>	<u>2,618,935</u>
Current liabilities	3,545,559	899,827
Long-term liabilities outstanding	23,965,748	25,756,736
Total liabilities	<u>27,511,307</u>	<u>26,656,563</u>
Deferred inflows of resources		
Deferred inflow related to pensions	806,007	903,112
Total deferred inflows of resources	<u>806,007</u>	<u>903,112</u>
Net position:		
Net investment in capital assets	20,393,321	18,907,675
Restricted	424,098	1,339,892
Unrestricted	17,254,272	23,725,656
Total net position	<u>\$ 38,071,691</u>	<u>\$ 43,973,223</u>

Net Assets as of 8/31/17

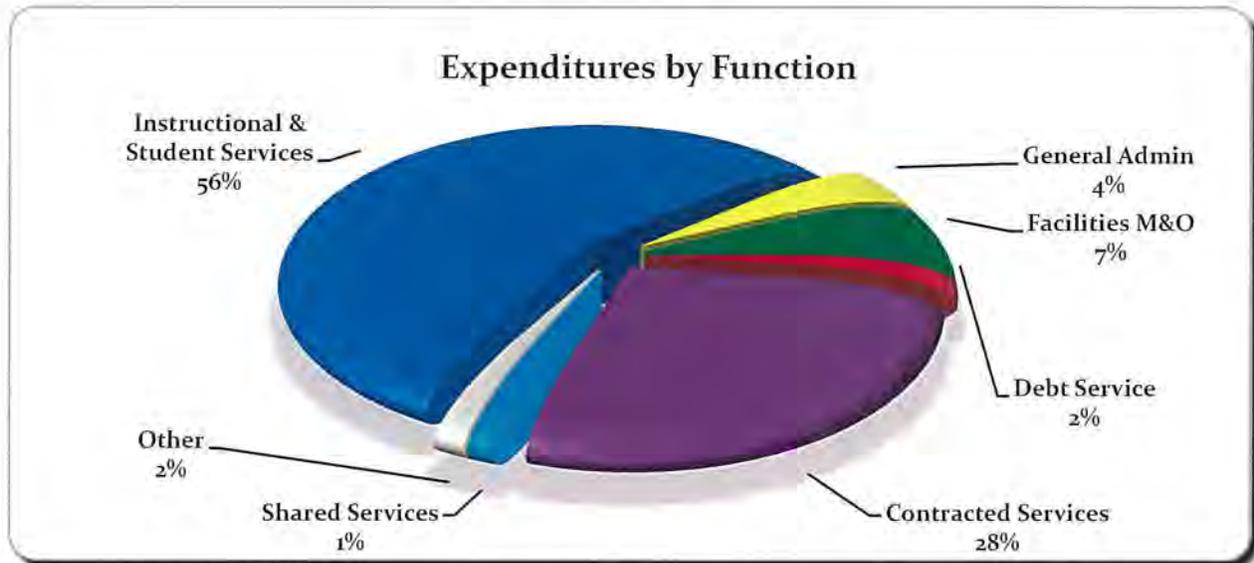


Investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) is \$20,393,321. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in 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. An additional \$424,098 of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$17,254,272, may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources and due to bond proceeds for construction projects.

Governmental activities. The District's total net position decreased \$5,901,532. The total cost of all *governmental activities* this year was \$36,985,193. The amount that our taxpayers paid for these activities through property taxes was \$20,403,178 or 55%.

Changes in the District's Net Position

	Fiscal Year August 31, 2017	Fiscal Year August 31, 2016
Revenues:		
Program Revenues		
Charges for Services	\$ 611,185	\$ 637,302
Operating Grants and Contributions	2,339,094	2,369,620
General revenues		
Property Taxes	20,403,178	27,551,463
State Grants	3,910,137	6,937,098
Other	3,820,067	2,807,098
Total Revenues	<u>31,083,661</u>	<u>40,302,581</u>
Expenses:		
Instruction	14,488,810	13,861,062
Instruction Resources & Media Services	348,905	387,665
Curriculum and Staff Development	307,965	277,600
Instructional Leadership	140,104	95,574
School Leadership	1,026,193	1,011,879
Guidance, Counseling & Evaluation Services	746,728	716,933
Health Services	235,011	272,417
Student Transportation	791,917	808,103
Food Service	1,027,706	1,116,525
Cocurricular / Extracurricular Activities	1,427,688	1,617,664
General Administration	1,516,797	2,026,724
Facilities Maintenance & Operations	2,585,333	2,511,463
Security and Monitoring Services	93,363	89,465
Data Processing Services	499,760	497,844
Community Services	11,977	9,081
Interest on Long-Term Debt	674,307	718,934
Bond Issuance Costs and Fees	3,825	1,575
Contracted Instructional Services between Schools	10,494,705	4,192,503
Payments Related to Shared Service Arrangements	564,099	585,811
Total Expenses	<u>36,985,193</u>	<u>30,798,822</u>
Increase (decrease) in net position	(5,901,532)	9,503,759
Net position - beginning	43,973,223	34,469,464
Net position - ending	<u>\$ 38,071,691</u>	<u>\$ 43,973,223</u>



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,730,494, an increase of \$4,834,919. Approximately 53 percent of this total amount (\$10,988,918) constitutes *unassigned fund balance*. The remainder of fund balance is *restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been *restricted* for (1) federal/state funds grant restrictions (\$2,052), (2) retirement of long-term debt (\$248,301), and (3) other miscellaneous fund restrictions (\$150,471); *committed* for (1) construction (\$4,756,390), (2) equipment (\$2,832,392), and (3) other commitments (\$1,749,141); and *assigned* for other miscellaneous designations (\$2,829).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,988,918, out of a total fund balance of \$13,505,900. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 38 percent of the total general fund expenditures, while total fund balance represents 47 percent of that same amount.

The fund balance of the District's general fund increased \$4,138,538 during the current fiscal year. Key factors in this increase are:

- Settlement of lawsuit with Luminant over property tax values. Payment of 2015-2016 property taxes were paid during the FY 2016-2017 so two years property taxes were received during one year.
- Administration will propose to transfer \$4,100,000 to the Capital Projects fund during the December board meeting to fund anticipated district needs

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and appropriations. These amendments were due to allow for unexpected occurrences and to better reflect the activities of the District. Budget revisions were primarily due to:

- An increase in revenue/expenditure budgets, related to Special Revenue accounts, accounted for most of the budget revisions.
- Revenues and expenditure budgets had to be adjusted due to the Luminant settlement of property tax values.

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were higher than budgeted by \$625,878, primarily related to an increase in state program revenues: and,
- Actual expenditures were higher than budgeted by \$2,547,310, solely due to contracted instructional services between public schools.

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment purchases. The fund balance of the District's capital projects fund was \$6,688,782 as of August 31, 2017, all of which is committed for capital projects. The net increase in the capital projects fund balance for the fiscal year ending August 31, 2017, was \$435,495.

Capital Asset and Debt Administration

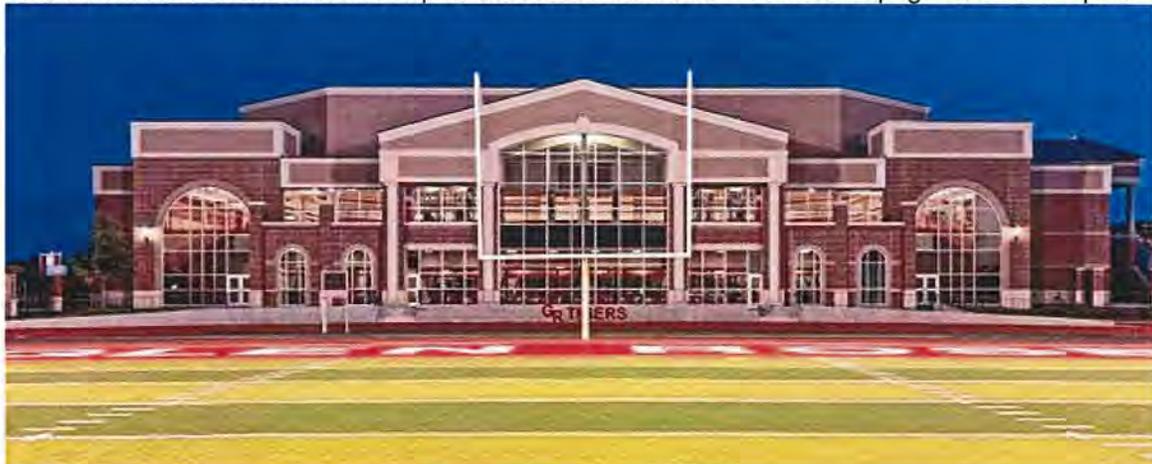
Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2017, amounts to \$39,629,471 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Major capital asset events during the year included the purchase of 2018 Blue Bird passenger bus and the completion of improvement projects like the replacement of the football field turf and District-wide roof replacements.

Districts Capital Assets (net of depreciation)

	<u>August 31, 2017</u>	<u>August 31, 2016</u>
Land	\$ 2,903,975	\$ 2,903,975
Buildings and improvements	35,171,263	35,337,430
Furniture and equipment	1,554,233	1,785,119
Total at historical cost	<u>\$ 39,629,471</u>	<u>\$ 40,026,524</u>

Additional information on the District's capital assets can be found in Note D on page 28 of this report.



Long-term debt. As of August 31, 2017, the District had total general obligation bonded debt outstanding of \$19,125,000, a decrease of \$1,865,000 over the prior year. The unamortized premium for bonds is \$111,150, a decrease of \$17,699 from the previous year. The net pension liability for fiscal year 2017 had an ending balance of \$4,729,598, derived from GASB 68 & 71 and an increase of \$91,711 from the prior year.

State statutes limit the amount of general obligation debt a government entity may issue up to 10 percent of its total assessed valuation. The current debt limitation for the District is \$226,023,736, which is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note F on pages 29-30 of this report.

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC Business ("S&P") has assigned a municipal bond rating of "AAA" to the Bonds based upon the Permanent School Fund Guarantee. S&P generally rates all bond issues guaranteed by the Permanent School Fund of the State of Texas "AAA".

The District's underlying rating for the Bonds (without consideration of the Permanent School Fund guarantee or other credit enhancement) is "AAA" by S&P.

Economic Factors and Next Year's Budgets and Rates

- Tax rate for Maintenance & Operations budget set at \$.8,800 per \$100 valuation and Interest and Sinking rate for \$.1140 for a total tax rate of \$.9,940. The district approved a Maintenance & Operations budget for 2017-2018 with revenues higher than expenditures.
- The District's student attendance rate remains stable at the 96% percent level.
- The District's enrollment increased by approximately 25 students in 2016-2017. Enrollment for 2017-2018 is expected to be approximately 1,800 students, which would be a 50 student increase.
- All employees will receive salary increases: Teachers - \$1,100 and all other employee classifications will receive 2% of the mid-point.
- A one-time insurance supplement of \$550 will be paid during the month of November.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Glen Rose Independent School District's Business Office.



Basic Financial Statements

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2017

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 3,338,301
1120	Current Investments	17,468,310
1225	Property Taxes Receivable (Net)	236,585
1240	Due from Other Governments	3,439,323
1290	Other Receivables (Net)	121
1300	Inventories	1,403
1410	Unrealized Expenses	570
Capital Assets:		
1510	Land	2,903,975
1520	Buildings and Improvements, Net	35,171,263
1530	Furniture and Equipment, Net	1,554,233
1000	Total Assets	<u>64,114,084</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1705	Deferred Outflow Related to Pensions	2,274,921
1700	Total Deferred Outflows of Resources	<u>2,274,921</u>
LIABILITIES:		
2110	Accounts Payable	131,081
2140	Interest Payable	28,025
2165	Accrued Liabilities	567,411
2180	Due to Other Governments	2,809,146
2300	Unearned Revenue	9,896
Noncurrent Liabilities:		
2501	Due Within One Year	1,915,000
2502	Due in More Than One Year	17,321,150
2540	Net Pension Liability	4,729,598
2000	Total Liabilities	<u>27,511,307</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflow Related to Pensions	806,007
2600	Total Deferred Inflows of Resources	<u>806,007</u>
NET POSITION:		
3200	Net Investment in Capital Assets	20,393,321
Restricted For:		
3820	State and Federal Programs	2,052
3850	Debt Service	271,575
3880	Scholarships	65,968
3890	Shared Service Arrangement	84,503
3900	Unrestricted	17,254,272
3000	Total Net Position	<u>\$ 38,071,691</u>

The accompanying notes are an integral part of this statement.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 14,488,810	\$ 4,328	\$ 1,434,724	\$ (13,049,758)	
12	<i>Instructional Resources and Media Services</i>	348,905	356	14,730	(333,819)	
13	<i>Curriculum and Staff Development</i>	307,965	39	8,080	(299,846)	
21	<i>Instructional Leadership</i>	140,104	--	6,028	(134,076)	
23	<i>School Leadership</i>	1,026,193	61	51,035	(975,097)	
31	<i>Guidance, Counseling, & Evaluation Services</i>	746,728	--	25,321	(721,407)	
33	<i>Health Services</i>	235,011	--	11,322	(223,689)	
34	<i>Student Transportation</i>	791,917	52,701	27,825	(711,391)	
35	<i>Food Service</i>	1,027,706	405,575	473,506	(148,625)	
36	<i>Cocurricular/Extracurricular Activities</i>	1,427,688	113,202	29,328	(1,285,158)	
41	<i>General Administration</i>	1,516,797	--	36,057	(1,480,740)	
51	<i>Facilities Maintenance and Operations</i>	2,585,333	34,428	59,853	(2,491,052)	
52	<i>Security and Monitoring Services</i>	93,363	495	385	(92,483)	
53	<i>Data Processing Services</i>	499,760	--	21,446	(478,314)	
61	<i>Community Services</i>	11,977	--	241	(11,736)	
72	<i>Interest on Long-term Debt</i>	674,307	--	121,046	(553,261)	
73	<i>Bond Issuance Costs and Fees</i>	3,825	--	--	(3,825)	
91	<i>Contracted Instructional Services between Schools</i>	10,494,705	--	15,462	(10,479,243)	
93	<i>Payments Related to Shared Services Arrangements</i>	564,099	--	2,705	(561,394)	
TG	Total Governmental Activities	36,985,193	611,185	2,339,094	(34,034,914)	
TP	Total Primary Government	\$ 36,985,193	\$ 611,185	\$ 2,339,094	(34,034,914)	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				17,995,583	
DT	<i>Property Taxes, Levied for Debt Service</i>				2,407,595	
IE	<i>Investment Earnings</i>				265,092	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				3,910,137	
MI	<i>Miscellaneous</i>				3,554,975	
TR	Total General Revenues				28,133,382	
CN	Change in Net Position				(5,901,532)	
NB	Net Position - Beginning				43,973,223	
NE	Net Position - Ending				\$ 38,071,691	

The accompanying notes are an integral part of this statement.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2017

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110	\$ 2,264,795	\$ 875,666	\$ 197,840	\$ 3,338,301
1120	11,353,316	5,869,277	245,717	17,468,310
1225	373,637	--	38,039	411,676
1230	(160,326)	--	(14,765)	(175,091)
1240	3,106,269	--	333,054	3,439,323
1260	343,239	41,080	188,929	573,248
1290	121	--	--	121
1300	--	--	1,403	1,403
1410	570	--	--	570
1000	<u>17,281,621</u>	<u>6,786,023</u>	<u>990,217</u>	<u>25,057,861</u>
LIABILITIES:				
Current Liabilities:				
2110	\$ 45,541	\$ 31,277	\$ 54,263	\$ 131,081
2160	492,671	--	74,740	567,411
2170	230,008	65,964	277,276	573,248
2180	2,794,190	--	14,956	2,809,146
2300	--	--	9,896	9,896
2000	<u>3,562,410</u>	<u>97,241</u>	<u>431,131</u>	<u>4,090,782</u>
DEFERRED INFLOWS OF RESOURCES:				
	213,311	--	23,274	236,585
2600	<u>213,311</u>	<u>--</u>	<u>23,274</u>	<u>236,585</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	--	--	2,052	2,052
3480	--	--	248,301	248,301
3490	--	--	150,471	150,471
Committed Fund Balances:				
3510	500,000	4,256,390	--	4,756,390
3530	400,000	2,432,392	--	2,832,392
3545	1,616,982	--	132,159	1,749,141
Assigned Fund Balances:				
3590	--	--	2,829	2,829
3600	10,988,918	--	--	10,988,918
3000	<u>13,505,900</u>	<u>6,688,782</u>	<u>535,812</u>	<u>20,730,494</u>
4000	<u>\$ 17,281,621</u>	<u>\$ 6,786,023</u>	<u>\$ 990,217</u>	<u>\$ 25,057,861</u>

The accompanying notes are an integral part of this statement.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2017*

Total fund balances - governmental funds balance sheet	\$ 20,730,494
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	39,629,471
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	236,585
Payables for bond principal which are not due in the current period are not reported in the funds.	(19,125,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(28,025)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.	(111,150)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(4,729,598)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(806,007)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>2,274,921</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 38,071,691</u>

The accompanying notes are an integral part of this statement.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 31,451,384	\$ 114,932	\$ 4,986,300	\$ 36,552,616
5800 State Program Revenues	4,603,489	--	175,756	4,779,245
5900 Federal Program Revenues	98,734	--	1,371,250	1,469,984
5020 Total Revenues	<u>36,153,607</u>	<u>114,932</u>	<u>6,533,306</u>	<u>42,801,845</u>
EXPENDITURES:				
Current:				
0011 Instruction	9,642,608	1,749,929	1,326,588	12,719,125
0012 Instructional Resources and Media Services	272,617	--	29,838	302,455
0013 Curriculum and Staff Development	270,660	--	640	271,300
0021 Instructional Leadership	--	--	122,356	122,356
0023 School Leadership	889,594	--	343	889,937
0031 Guidance, Counseling, & Evaluation Services	491,757	--	153,437	645,194
0033 Health Services	201,227	--	2,103	203,330
0034 Student Transportation	825,042	--	--	825,042
0035 Food Service	--	--	902,626	902,626
0036 Cocurricular/Extracurricular Activities	1,029,412	97,108	210,276	1,336,796
0041 General Administration	1,307,058	--	10,523	1,317,581
0051 Facilities Maintenance and Operations	2,142,790	134,299	5,660	2,282,749
0052 Security and Monitoring Services	75,855	--	7,138	82,993
0053 Data Processing Services	435,214	--	--	435,214
0061 Community Services	10,511	--	132	10,643
0071 Principal on Long-term Debt	--	--	1,865,000	1,865,000
0072 Interest on Long-term Debt	--	--	694,163	694,163
0073 Bond Issuance Costs and Fees	--	--	3,825	3,825
0081 Capital Outlay	--	1,997,793	--	1,997,793
0091 Contracted Instructional Services				
0091 Between Public Schools	10,494,705	--	--	10,494,705
0093 Payments to Shared Service Arrangements	539,984	--	24,115	564,099
6030 Total Expenditures	<u>28,629,034</u>	<u>3,979,129</u>	<u>5,358,763</u>	<u>37,966,926</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>7,524,573</u>	<u>(3,864,197)</u>	<u>1,174,543</u>	<u>4,834,919</u>
Other Financing Sources and (Uses):				
7915 Transfers In	918,521	4,299,692	4,864	5,223,077
8911 Transfers Out	(4,304,556)	--	(918,521)	(5,223,077)
7080 Total Other Financing Sources and (Uses)	<u>(3,386,035)</u>	<u>4,299,692</u>	<u>(913,657)</u>	<u>--</u>
1200 Net Change in Fund Balances	4,138,538	435,495	260,886	4,834,919
0100 Fund Balances - Beginning	9,367,362	6,253,287	274,926	15,895,575
3000 Fund Balances - Ending	<u>\$ 13,505,900</u>	<u>\$ 6,688,782</u>	<u>\$ 535,812</u>	<u>\$ 20,730,494</u>

The accompanying notes are an integral part of this statement.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2017*

Net change in fund balances - total governmental funds	\$ 4,834,919
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,395,136
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,792,190)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(11,885,634)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,865,000
Premiums on bonds are amortized in the SOA but not in the funds.	17,699
(Increase) decrease in accrued interest from beginning of period to end of period.	2,158
Pension expense related to GASB 68 is recorded in the SOA but not in the funds.	(723,645)
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPL.	<u>385,025</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (5,901,532)</u>

The accompanying notes are an integral part of this statement.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2017

Data Control Codes		<u>Agency Fund</u>
<u>ASSETS:</u>		<u>Student Activity</u>
1110	Cash and Cash Equivalents	\$ 89,331
1000	Total Assets	<u>89,331</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
2190	Due to Student Groups	\$ 89,331
2000	Total Liabilities	<u>89,331</u>
<u>NET POSITION:</u>		
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

A. Summary of Significant Accounting Policies

The basic financial statements of Glen Rose Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Capital Projects Fund: This fund is used to account for an report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. **Measurement Focus, Basis of Accounting**

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty 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. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. **Financial Statement Amounts**

a. **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 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & Improvements	10-45
Equipment	5-15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Compensated Absences

The District pays unused local leave for a maximum of five days per school year at the rate established by the Board. Full-time professional employees shall be reimbursed at \$75 per day and auxiliary employees shall be reimbursed at his or her daily rate to a maximum of \$60 per day.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. The Board shall delegate to the Superintendent the authority to assign amounts to be expended for specific purposes.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

At a minimum, the District shall maintain committed, assigned, and unassigned fund balances in the general operating fund equal to or exceeding 20 percent of the total annual operating expenditures. If the committed, assigned, or unassigned fund balances fall below 20 percent of the total annual operating expenditures, the administration shall immediately prepare a plan for Board approval to restore the unassigned fund balance to the 20 percent level.

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. 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' 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.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
General Fund total actual expenditures exceeded final budgeted amounts.	This variance was due to a receivable for a refund of Chapter 41 overpayments recorded as an offset to Chapter 41 expenditures rather than state funding revenue. An audit entry was recorded to reclass. The District will monitor how this is recorded in the future.
Debt Service Fund total actual expenditures exceeded final budgeted amounts.	The District will closely review approved budget amounts adopted by the School Board and propose amendments for unexpected resource needs during the year to prevent future overspending.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$20,155,672 and the bank balance was \$20,432,986. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2017 consisted of long-term certificates of deposits, money market accounts, money market funds, and investment pools. Certificates of deposit are entirely covered by FDIC and pledged collateral by the bank and are included in balance in Note C-1. The District's investments at August 31, 2017 are shown below:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexStar - LGIP	Wtd Avg Maturity = 36 days	\$ 36,762
TexPool - LGIP	Wtd Avg Maturity = 38 days	678,551
Edward Jones - Money Market	Wtd Avg Maturity = 33 days	25,108
Nex Bank - Money Market Savings Acct	N/A	15,218,941
Lubbock National Bank - CD	March 3, 2018	1,508,948
Total Investments		<u>\$ 17,468,310</u>

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2017, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

TexStar - LGIP	AAAm
TexPool - LGIP	AAAm
Edward Jones - Money Market	AAAm

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts. The District reports investments in local government investment pools following GASB 79 at amortized.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Public Funds Investment Pools

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

TexSTAR

TexSTAR is a local government investment pool organized under the Interlocal Cooperation Act Texas Short Term to invest their public funds and funds under their control through the investment pools. Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"). These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities ("Participants") to invest their public funds and funds under their control through the investment pools.

ASC 820 "Fair Value Measurement and Disclosure Requirements" in reporting its investments and should be classified on government entities financials at Level 2. For pricing and redeeming shares, TexSTAR maintains a stable net asset value (NAV) of \$1 per share using the fair value method.

Under the fair value method, fixed income securities are valued each day by independent or affiliated commercial pricing services or third party broker-dealers. The pricing services or broker-dealers use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the broker-dealers or pricing services also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon-rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's. TexPool uses amortized cost to value portfolio assets and follows the criteria established by GASB 79 for use of amortized cost. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org. There are no limitations or restrictions on withdrawals.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure the assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs- other than quoted prices included within Level 1- that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an assets or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

In accordance with GASB Statement No. 79, Certain External Investment Pools and Pool Participants, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice period of maximum transaction amounts. These pool do not impose any liquidity fees or redemption gates.

Investments' fair value measurements are as follows at August 31, 2017

Investments	Fair Value	Fair Value Measurement Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
TexSTAR	\$ 36,762	\$ --	\$ 36,762	\$ --
Total Investments	<u>\$ 36,762</u>	<u>\$ --</u>	<u>\$ 36,762</u>	<u>\$ --</u>

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

D. Capital Assets

Capital asset activity for the year ended August 31, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,903,975	\$ --	\$ --	\$ 2,903,975
Total capital assets not being depreciated	<u>2,903,975</u>	<u>--</u>	<u>--</u>	<u>2,903,975</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	76,698,011	2,094,901	--	78,792,912
Equipment	7,536,151	300,235	--	7,836,386
Total capital assets being depreciated	<u>84,234,162</u>	<u>2,395,136</u>	<u>--</u>	<u>86,629,298</u>
Less accumulated depreciation for:				
Buildings and improvements	(41,360,581)	(2,261,068)	--	(43,621,649)
Equipment	(5,751,032)	(531,122)	--	(6,282,154)
Total accumulated depreciation	<u>(47,111,613)</u>	<u>(2,792,190)</u>	<u>--</u>	<u>(49,903,802)</u>
Total capital assets being depreciated, net	<u>37,122,549</u>	<u>(397,054)</u>	<u>--</u>	<u>36,725,496</u>
Governmental activities capital assets, net	<u>\$ 40,026,524</u>	<u>\$ (397,054)</u>	<u>\$ --</u>	<u>\$ 39,629,471</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,589,192
Instructional Resources and Media Services	37,790
Curriculum and Staff Development	33,898
Instructional Leadership	15,288
School Leadership	111,193
Guidance, Counseling, & Evaluation Services	80,613
Health Services	25,405
Student Transportation	103,085
Food Services	112,779
Extracurricular Activities	167,026
General Administration	164,625
Plant Maintenance and Operations	285,218
Security and Monitoring Services	10,370
Data Processing Services	54,378
Community Services	1,330
	<u>\$ 2,792,190</u>

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Funds	Special Revenue Funds	\$ 277,276	For transfer of federal and state receipts
General Funds	Capital Projects Funds	65,964	Short-term loan
Special Revenue Funds	General Funds	177,100	For transfer of federal and state receipts
Debt Service Funds	General Funds	11,828	Short-term loan
Capital Projects Funds	General Funds	41,080	Capital projects expenditures
	Total	<u>\$ 573,248</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Debt Service Fund	\$ 1,600	Supplement Debt Service Fund
General Fund	Capital Projects Funds	4,299,692	Supplement Capital Projects Func
General Fund	Special Revenue Funds	3,264	Supplement Food Service Fund
Debt Service Fund	General Fund	913,632	Reimburse expenditures
Special Revenue Funds	General Fund	4,889	To transfer profit from hosting games for other districts
	Total	<u>\$ 5,223,077</u>	

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 20,990,000	\$ --	\$ 1,865,000	\$ 19,125,000	\$ 1,915,000
Premium Amortized	128,849	--	17,699	111,150	--
Net Pension Liability *	4,637,887	91,711	--	4,729,598	--
Total governmental activities	<u>\$ 25,756,736</u>	<u>\$ 91,711</u>	<u>\$ 1,882,699</u>	<u>\$ 23,965,748</u>	<u>\$ 1,915,000</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability *	Governmental	General Fund

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2017, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,915,000	\$ 644,564	\$ 2,559,564
2019	1,960,000	596,688	2,556,688
2020	2,010,000	547,689	2,557,689
2021	2,070,000	487,388	2,557,388
2022	2,120,000	414,710	2,534,710
2023-2027	9,050,000	816,980	9,866,980
Totals	<u>\$ 19,125,000</u>	<u>\$ 3,508,019</u>	<u>\$ 22,633,019</u>

The interest rate on the Unlimited Tax School Building Bonds, Series 2010 A ranges from 2.00% to 3.375% and matures on August 15, 2026.

The interest rate on the Build America Bonds, Series 2010 B ranges from 3.50% to 4.20% and matures on August 15, 2024.

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2017, as follows:

<u>Year Ending August 31,</u>	
2018	\$ 21,970
2019	21,970
2020	15,558
Total Minimum Rentals	<u>\$ 59,498</u>
Rental Expenditures in 2017	<u>\$ 39,470</u>

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

H. Risk Management

Property Casualty Program The District purchased property and liability insurance through Texas Association of Public School (TAPS), a risk pooling arrangement. In any risk pooling arrangement, if the assets of the fund are exhausted, members are liable for some portion of the Fund's liabilities for the fund year in question. Each member of the pool would, therefore, be contingently liable for its portion of the liability.

Aggregate excess reinsurance coverage has been expanded for the 2016-2017 fund year. This will provide additional protection for members in the 2016-2017 fund year.

Workers' Compensation

The District participated in the Texas Education Insurance Association public entity risk pool, a fully-funded guaranteed cost workers' compensation program serving colleges and school districts throughout Texas. The plan for workers' compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the contractual agreement. Administrative fees are included within the provisions of that agreement.

Unemployment Compensation

During the year ended August 31, 2017, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2017, the Fund anticipates that Glen Rose 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, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

I. Pension Plan

1. Plan Description

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

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

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

2. Pension Plan Fiduciary Net Position

Detail 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 https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

4. Contributions

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

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

	<u>Contribution Rates</u>	
	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 385,025	
District's 2017 Member Contributions	\$ 977,551	
NECE 2016 On-Behalf Contributions to District	\$ 635,959	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

- When employing a retiree of 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 or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

5. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. 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, 2016 are summarized below:

Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Real Rate of Return			
As of August 31, 2016			
Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

7. 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 Net Pension Liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 7,319,825	\$ 4,729,598	\$ 2,532,563

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

At August 31, 2017, the District reported a liability of \$4,729,598 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	\$ 4,729,598
State's proportionate share that is associated with District	<u>7,548,734</u>
Total	<u>\$ 12,278,332</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.012516%. which was an decrease of 0.0006044% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2017, the District recognized pension expense of \$783,379 and revenue of \$783,379 for support provided by the State.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

At August 31, 2017, the District reported its proportionate share of the TRS' 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	\$ 74,159	\$ 141,223
Changes in actuarial assumptions	144,150	131,098
Difference between projected and actual investment earnings	911,400	510,907
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	760,187	22,779
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	385,025	--
Total	\$ 2,274,921	\$ 806,007

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

Year Ended August 31	Pension Expense Amount
2018	\$ 188,210
2019	\$ 188,210
2020	\$ 443,664
2021	\$ 168,581
2022	\$ 92,878
Thereafter	\$ 2,346

J. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (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 for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2017, 2016, and 2015. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$126,955, \$130,002, and \$128,148, respectively, the active member contributions were \$82,521, \$84,502, and \$83,296, respectively, and the District's contributions were \$69,825, \$71,501, and \$70,481, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

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. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$37,857, \$37,697, and \$35,794, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$406 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Company are available for their year end and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2017.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

M. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Glen Rose ISD	\$ 596,582
Tolar ISD	161,681
Bluff Dale ISD	18,612
Three Way ISD	1,120
Total	<u>\$ 777,995</u>

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for audiology services with the following school districts.

<u>Member Districts</u>	
Central Texas SSA	Granbury ISD
Greater Erath County SSA	Springtown ISD
Hood-Somervell County Co-Op	Stephenville ISD
Palo Pinto County Co-Op	Weatherford ISD
Parker County Co-Op	Glen Rose ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Peaster ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

N. Subsequent Events

The District approved the purchase of four Blue Bird All American Buses for a total of \$418,542 on September 25, 2017.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 21,515,038	\$ 33,855,373	\$ 31,451,384	\$ (2,403,989)
5800	State Program Revenues	5,389,603	1,573,622	4,603,489	3,029,867
5900	Federal Program Revenues	--	98,734	98,734	--
5020	Total Revenues	<u>26,904,641</u>	<u>35,527,729</u>	<u>36,153,607</u>	<u>625,878</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	9,694,301	9,825,004	9,642,608	182,396
0012	Instructional Resources and Media Services	348,228	278,701	272,617	6,084
0013	Curriculum and Staff Development	270,245	280,243	270,660	9,583
	Total Instruction & Instr. Related Services	<u>10,312,774</u>	<u>10,383,948</u>	<u>10,185,885</u>	<u>198,063</u>
Instructional and School Leadership:					
0023	School Leadership	844,034	906,189	889,594	16,595
	Total Instructional & School Leadership	<u>844,034</u>	<u>906,189</u>	<u>889,594</u>	<u>16,595</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	479,637	478,724	491,757	(13,033)
0033	Health Services	204,948	203,966	201,227	2,739
0034	Student (Pupil) Transportation	713,566	842,796	825,042	17,754
0036	Cocurricular/Extracurricular Activities	1,171,703	1,096,155	1,029,412	66,743
	Total Support Services - Student (Pupil)	<u>2,569,854</u>	<u>2,621,641</u>	<u>2,547,438</u>	<u>74,203</u>
Administrative Support Services:					
0041	General Administration	1,424,049	1,402,233	1,307,058	95,175
	Total Administrative Support Services	<u>1,424,049</u>	<u>1,402,233</u>	<u>1,307,058</u>	<u>95,175</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,226,755	2,164,295	2,142,790	21,505
0052	Security and Monitoring Services	71,000	83,200	75,855	7,345
0053	Data Processing Services	425,631	449,061	435,214	13,847
	Total Support Services - Nonstudent Based	<u>2,723,386</u>	<u>2,696,556</u>	<u>2,653,859</u>	<u>42,697</u>
Ancillary Services:					
0061	Community Services	8,220	11,250	10,511	739
	Total Ancillary Services	<u>8,220</u>	<u>11,250</u>	<u>10,511</u>	<u>739</u>
Intergovernmental Charges:					
0091	Contracted Instr. Services Between Public Schools	8,115,677	7,412,907	10,494,705	(3,081,798)
0093	Payments to Fiscal Agent/Member Dist.-SSA	647,000	647,000	539,984	107,016
	Total Intergovernmental Charges	<u>8,762,677</u>	<u>8,059,907</u>	<u>11,034,689</u>	<u>(2,974,782)</u>
6030	Total Expenditures	<u>26,644,994</u>	<u>26,081,724</u>	<u>28,629,034</u>	<u>(2,547,310)</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>259,647</u>	<u>9,446,005</u>	<u>7,524,573</u>	<u>(1,921,432)</u>

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Other Financing Sources (Uses):				
7915	Transfers In	500	916,919	918,521	1,602
8911	Transfers Out	--	(4,324,692)	(4,304,556)	20,136
7080	Total Other Financing Sources and (Uses)	500	(3,407,773)	(3,386,035)	21,738
1200	Net Change in Fund Balance	260,147	6,038,232	4,138,538	(1,899,694)
0100	Fund Balance - Beginning	9,367,362	9,367,362	9,367,362	--
3000	Fund Balance - Ending	\$ 9,627,509	\$ 15,405,594	\$ 13,505,900	\$ (1,899,694)

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.013%	0.013%	0.009%	--	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 4,729,598	\$ 4,637,887	\$ 2,433,968	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	7,548,734	7,432,320	6,485,509	--	--	--	--	--	--	--
Total	\$ 12,278,332	\$ 12,070,207	\$ 8,919,477	\$ --						
District's covered-employee payroll	\$ 13,000,249	\$ 12,814,811	\$ 12,329,310	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.38%	36.19%	19.74%	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 385,025	\$ 397,664	\$ 388,500	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(385,025)	(397,664)	(388,500)	--	--	--	--	--	--	--
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 12,695,465	\$ 13,000,249	\$ 12,814,811	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	3.03%	3.06%	3.03%	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

The contribution numbers for the 2017 column are based on calculations from the District. The previous years are based on numbers provided by TRS schedules.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

Budget

The official budget was prepared for adoption for all Governmental Fund Types legally required to adopt a budget (General Funds, Food Service Funds, and Debt Service Funds). The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2017

Year Ended August 31	1 Tax Rates		2 Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2008 and Prior Years	\$ Various	\$ Various	\$ Various
2009	.8252	.069	3,235,959,698
2010	.8250	.069	3,436,182,438
2011	.8250	.069	3,375,075,391
2012	.8250	.069	3,390,614,659
2013	.8250	.069	3,340,992,170
2014	.8250	.069	2,950,148,881
2015	.8250	.069	2,671,133,445
2016	.8420	.092	3,086,481,049
2017 (School Year Under Audit)	.8600	.114	2,260,237,358
1000 Totals			

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

Column 20, the current year's levy is the ending levy due provided by Somervell County Appraisal District.

Column 3, Assessed/Appraised Value for School Tax purposes is calculated based on current year total levy divided by current year tax rate. This amount includes adjustments for frozen values.

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 93,761	\$ --	\$ 681	\$ 34	\$ 1	\$ 93,047
13,617	--	336	28	(2,806)	10,447
14,952	--	2,117	177	(3,062)	9,596
20,256	--	5,145	430	(4,567)	10,114
19,024	--	4,054	339	(1,486)	13,145
27,241	--	11,307	946	7,524	22,512
50,244	--	12,497	1,045	4,658	41,360
55,505	--	18,121	1,516	4,193	40,061
13,317,691	--	7,561,513	826,199	(4,869,622)	60,357
--	22,014,712	19,340,002	2,563,674	1	111,037
<u>\$ 13,612,291</u>	<u>\$ 22,014,712</u>	<u>\$ 26,955,773</u>	<u>\$ 3,394,388</u>	<u>\$ (4,865,166)</u>	<u>\$ 411,676</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2017

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2017 (Exhibit C-1 object 3000 for the General Fund only)	\$ 13,505,900
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	2,516,982
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	2,385,753
7	Estimate of two months' average cash disbursements during the fiscal year	4,771,506
8	Estimate of delayed payments from state sources (58XX)	--
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	9,674,241
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 3,831,659

At the December board meeting, immediately following the acceptance of the 2016-2017 Audit report, the Administrative is recommending that \$4,100,000 be moved from the General Fund fund balance to the Capital Projects Fund. Within the Capital Projects Fund, there are several projects for which the funds will be designated. There will also be a recommendation to change the General Fund designations.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 423,240	\$ 425,856	\$ 2,616
5800 <i>State Program Revenues</i>	3,870	3,866	(4)
5900 <i>Federal Program Revenues</i>	468,755	469,640	885
5020 Total Revenues	<u>895,865</u>	<u>899,362</u>	<u>3,497</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	968,013	902,626	65,387
Total Support Services - Student (Pupil)	<u>968,013</u>	<u>902,626</u>	<u>65,387</u>
6030 Total Expenditures	<u>968,013</u>	<u>902,626</u>	<u>65,387</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(72,148)</u>	<u>(3,264)</u>	<u>68,884</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	11,762	3,264	(8,498)
7080 Total Other Financing Sources and (Uses)	<u>11,762</u>	<u>3,264</u>	<u>(8,498)</u>
1200 Net Change in Fund Balance	(60,386)	--	60,386
0100 Fund Balance - Beginning	--	--	--
3000 Fund Balance - Ending	<u>\$ (60,386)</u>	<u>\$ --</u>	<u>\$ 60,386</u>

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 3,580,597	\$ 3,586,121	\$ 5,524
5800 <i>State Program Revenues</i>	7,026	12,491	5,465
5900 <i>Federal Program Revenues</i>	108,555	108,555	--
5020 Total Revenues	<u>3,696,178</u>	<u>3,707,167</u>	<u>10,989</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	1,865,000	1,865,000	--
0072 <i>Interest on Long-Term Debt</i>	694,164	694,163	1
0073 <i>Bond Issuance Costs and Fees</i>	3,000	3,825	(825)
Total Debt Service	<u>2,562,164</u>	<u>2,562,988</u>	<u>(824)</u>
6030 Total Expenditures	<u>2,562,164</u>	<u>2,562,988</u>	<u>(824)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>1,134,014</u>	<u>1,144,179</u>	<u>10,165</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	121,600	121,600	--
8911 <i>Transfers Out</i>	(1,033,632)	(1,033,632)	--
7080 Total Other Financing Sources and (Uses)	<u>(912,032)</u>	<u>(912,032)</u>	<u>--</u>
1200 Net Change in Fund Balance	221,982	232,147	10,165
0100 Fund Balance - Beginning	16,154	16,154	--
3000 Fund Balance - Ending	<u>\$ 238,136</u>	<u>\$ 248,301</u>	<u>\$ 10,165</u>



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's 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*

Board of Trustees
Glen Rose Independent School District
P.O. Box 2129
Glen Rose, Texas 76043

Members of the Board of Trustees:

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 Glen Rose Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Glen Rose Independent School District's basic financial statements, and have issued our report thereon dated December 18, 2017.

Internal Control Over Financial Reporting

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

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

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

We noted certain matters that we reported to management of Glen Rose Independent School District in a separate letter dated December 18, 2017.

Purpose of this Report

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

Respectfully submitted,



Snow Garrett Williams
December 18, 2017



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Glen Rose Independent School District
P.O. Box 2129
Glen Rose, Texas 76043

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Glen Rose Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Glen Rose Independent School District's major federal program for the year ended August 31, 2017. Glen Rose Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Glen Rose Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Glen Rose Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Glen Rose Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Glen Rose Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended August 31, 2017.

Report on Internal Control Over Compliance

Management of the Glen Rose Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Glen Rose Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Glen Rose Independent School District's internal control over compliance.

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

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

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

Respectfully submitted,



Snow Garrett Williams

December 18, 2017

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 / 84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2017

A corrective action plan is not needed.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71401701	\$ 95,518
National School Lunch Program	10.555	71301701	323,786
Total Passed Through State Department of Education			<u>419,304</u>
Passed Through State Department of Agriculture:			
Commodity Supplemental Food Program (Non-cash)	10.555	213901A	50,336
Total Passed Through State Department of Agriculture			<u>50,336</u>
Total U. S. Department of Agriculture			<u>469,640</u>
Total Child Nutrition Cluster			<u>469,640</u>
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
SSA IDEA-B Formula	84.027	186600012139016600	19,761
SSA IDEA-B Formula	84.027	176600012139016600	449,641
Total CFDA Number 84.027			<u>469,402</u>
SSA IDEA-B Preschool	84.173	186610012139016610	884
SSA IDEA-B Preschool	84.173	176610012139016610	9,351
Total CFDA Number 84.173			<u>10,235</u>
Total Passed Through State Department of Education			<u>479,637</u>
Total U. S. Department of Education			<u>479,637</u>
Total Special Education (IDEA) Cluster			<u>479,637</u>
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010	18610101213901	11,725
ESEA Title I Part A - Improving Basic Programs	84.010	17610101213901	174,578
Total CFDA Number 84.010			<u>186,303</u>
Title III Part A English Language Acquisition and Language Enhancement	84.365	17671001213901	20,322
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367	18694501213901	1,131
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367	17694501213901	53,410
Total CFDA Number 84.367			<u>54,541</u>
Summer School LEP	84.369	69551602	2,253
Total Passed Through State Department of Education			<u>263,419</u>
Total U. S. Department of Education			<u>263,419</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,212,696</u>

The accompanying notes are an integral part of this schedule.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Glen Rose Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Glen Rose Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

GLEN ROSE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2017*

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	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 governmental agencies?	Yes
SF8	Did the school district <u>not</u> 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	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 4,729,598
SF13	Pension Expense (object 6147) at fiscal year-end.	N/A

