

GUTHRIE COMMON SCHOOL DISTRICT

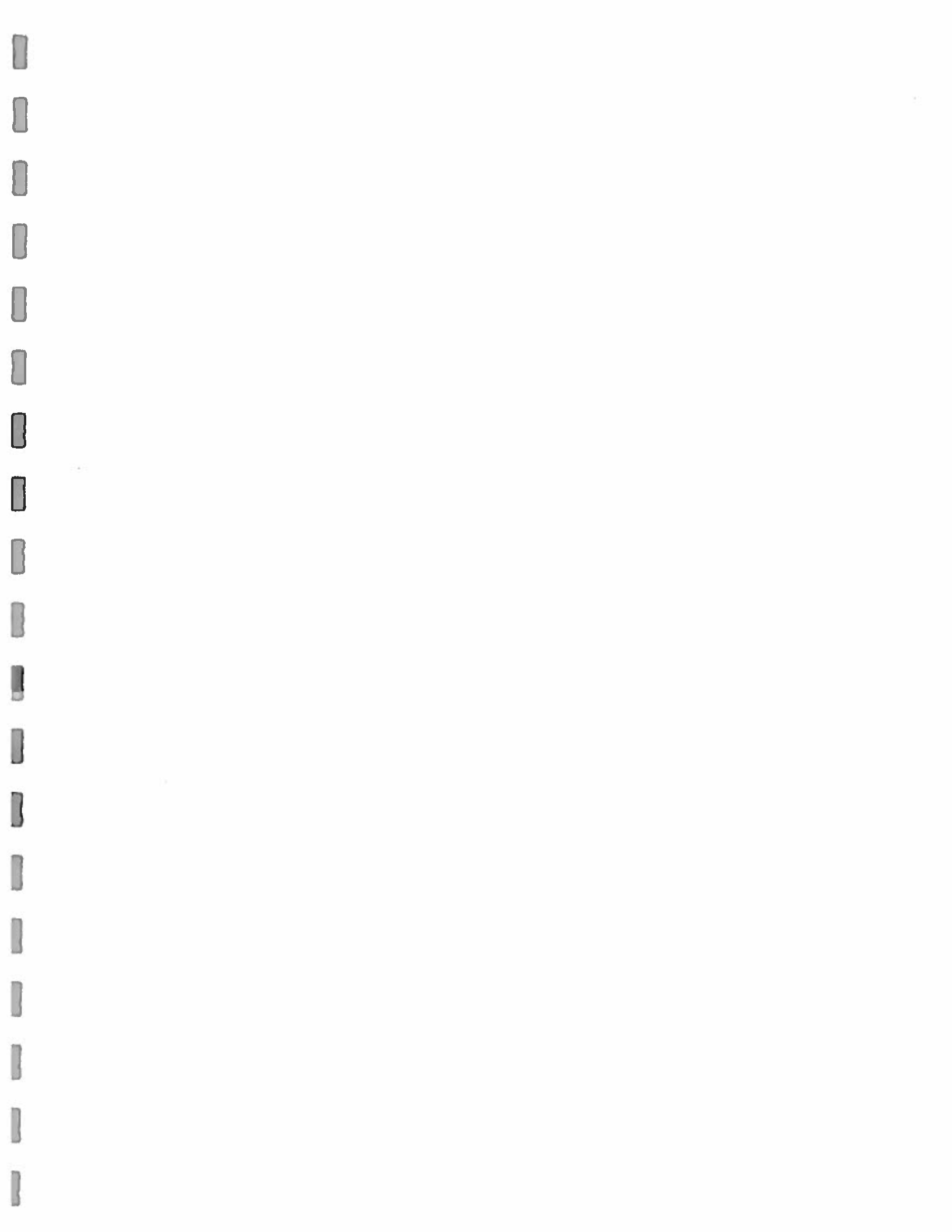
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2015

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS



GUTHRIE COMMON SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2015

GUTHRIE COMMON SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF BOARD		
<u>FINANCIAL SECTION</u>		
<u>Independent Auditor's Report:</u>		
Unmodified Opinions on the Basic Financial Statements	1	
Management's Discussion and Analysis (Required Supplementary Information)	4	
<u>Basic Financial Statements</u>		
Government Wide Financial Statements		
Statement of Net Position.....	10	A-1
Statement of Activities.....	11	B-1
Governmental Fund Financial Statements		
Balance Sheet.....	12	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	13	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances	14	C-3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	15	C-4
Proprietary Funds Financial Statements		
Statement of Net Position.....	16	D-1
Statement of Revenues, Expenses, and Changes in Net Position.....	17	D-2
Statement of Cash Flows	18	D-3
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Position	19	E-1
Notes to Financial Statements	20	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedule – General Fund	40	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability.....	41	G-2
Schedule of District Contribution	42	G-3
Notes to Required Supplementary Information.....	43	

GUTHRIE COMMON SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

TABLE OF CONTENTS (CONCLUDED)

	<u>Page</u>	<u>Exhibit</u>
<u>Other Supplementary Information</u>		
Combining Schedules		
Nonmajor Governmental Funds		
Combining Balance Sheet	44	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	45	H-2
Required Texas Education Agency Schedules		
Schedule of Delinquent Taxes Receivable	46	J-1
Budgetary Comparison Schedule – Debt Service Fund.....	47	J-2
 <u>OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION</u>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48	
Schedule of Findings	50	
 <u>Other TEA Required Schedule</u>		
Schools First Questionnaire	51	L-1

CERTIFICATE OF BOARD

Guthrie Common School District
Name of School District

King
County

135-001
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, 2015, at a meeting of the Board of Trustees of such school district on the 17th day of December, 2015.

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

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Guthrie Common School District
Guthrie, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Guthrie Common School District (the District), as of and for the year ended August 31, 2015, and 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 of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-9, budgetary comparison information on page 40, and the pension-related information on pages 41-43 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Guthrie Common School District's basic financial statements. The accompanying combining balance sheets and statements of revenues, expenditures and changes in fund balance for all non-major governmental funds and TEA required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this accompanying information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of Guthrie Common School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 in the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

November 23, 2015

GUTHRIE COMMON SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the Guthrie Common School District's (the District) financial performance provides an overview of the District's financial performance for the year ended August 31, 2015. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditor's report.

The Management's Discussion and Analysis (MD&A) is an element of the new financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

FINANCIAL HIGHLIGHTS

- The net position of the District increased by \$360,694, or 2.9%. The District's statement of activities showed total revenues were \$5,349,322, and expenses totaled \$4,988,628.
- The District ended the year, August 31, 2015, with total net position of \$12,680,595, and unrestricted net position of \$6,645,938. The balance of cash and investments at August 31, 2015, was \$6,762,422.
- Total general fund expenditures were \$4,128,478 for the year ended August 31, 2015. This compares with general fund expenditures of \$4,156,562 for the year ended August 31, 2014. This decrease is attributable to decreases in recapture payments net of increases in food costs and purchase of a bus and house.
- The District's total revenues on the fund financial statements decreased from \$5,027,085 in 2013-14 to \$4,648,077 in 2014-15. This decrease was primarily attributable to no longer receiving federal assistance for cafeteria fund and decreases in state revenue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

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

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how the services of the District were sold to departments within the District. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee.

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

The combining statements for non-major funds contain information about the District's individual non-major funds. The section labeled TEA Required Schedules contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

Government-Wide Financial Statements

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

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

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District is reporting its governmental activities and business type activities. The District currently has no component units as defined in the GASB Statement 34.

- Governmental activities – All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business type activities – The District's for profit participation in the Texas Virtual School Network is a business type activity accounted for in an enterprise fund.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education through TEA. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's three fund types: governmental, proprietary, and fiduciary – use different accounting approaches.

- Governmental funds – Most of the District's basic services are included in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following the fund financial statements.
- Proprietary Fund – Internal Service Fund – The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (the District's only category of proprietary funds) report activities that provide worker's compensation insurance coverage to the District's other programs and activities.

· Proprietary Fund – Enterprise Fund – The District sets its own pricing policies intended to make a profit in its Texas Virtual School Network Participation, and as such, accounts for this activity in this fund.

· Fiduciary funds – The District is the trustee, or fiduciary, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities. The financial information for 2014 in the following tables does not include the retroactive recognition of the net pension liability and related expenses.

Table I
Guthrie Common School District
Net Position
August 31, 2015 and 2014

	August 31,	
	2015	2014
Cash and Temporary Investments	\$ 6,762,422	\$ 6,878,480
Receivables	323,696	353,868
Capital Assets	<u>9,169,167</u>	<u>9,405,847</u>
Total Assets	<u>\$ 16,255,285</u>	<u>\$ 16,638,195</u>
Deferred Outflows Related to Pension Liability	\$ <u>34,365</u>	\$ <u> </u>
Total Deferred Outflows	<u>\$ 34,365</u>	<u>\$ 0</u>
Current Liabilities	\$ 890,193	\$ 880,691
Long Term Liabilities	<u>2,654,711</u>	<u>3,200,000</u>
Total Liabilities	<u>\$ 3,544,904</u>	<u>\$ 4,080,691</u>
Deferred Inflows Related to Pension Liability	\$ <u>64,151</u>	\$ <u> </u>
Total Deferred Inflows	<u>\$ 64,151</u>	<u>\$ 0</u>
Net Position		
Net Investment in Capital Assets	\$ 5,969,169	\$ 5,470,847
Restricted for Debt Service	65,488	69,418
Unrestricted Net Position	<u>6,645,938</u>	<u>7,017,239</u>
Total Net Position	<u>\$ 12,680,595</u>	<u>\$ 12,557,504</u>

Changes in Net Position

The District's net position increased during the year ended August 31, 2015. The net position increased by \$360,694 (See Table II). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$6,645,938 (Table I) at August 31, 2015. This compares with the District's unrestricted net position at August 31, 2014, of \$7,017,239, a decrease of \$371,301.

Table II
Guthrie Common School District
Changes in Net Position
For the Years Ended August 31, 2015 and 2014

	August 31,	
	2015	2014
Revenues:		
Program Revenues:		
Charges for Services	\$ 705,416	\$ 357,770
Operating Grants and Contributions	156,431	177,581
General Revenues:		
Maintenance and Operations Taxes	2,917,034	2,881,269
Interest and Sinking Taxes	843,663	870,408
State Aid Formula Grants	582,183	926,857
Investment Earnings	12,927	12,825
Miscellaneous	131,668	148,935
Total Revenue	<u>\$ 5,349,322</u>	<u>\$ 5,375,645</u>
Expenses:		
Instruction and Instructional-Related Services	\$ 2,471,290	\$ 2,272,457
Instructional and School Leadership	49,465	38,291
Student Support Services	19,347	14,447
Student Transportation	234,682	262,065
Food Services	242,270	140,253
Extracurricular Activities	184,483	180,278
General Administration	280,083	329,990
Plant Maintenance and Operations	947,341	815,085
Security, Monitoring, and Data Processing Services	83,331	83,101
Interest and Fees on Long Term Debt	112,988	130,738
Contracted Instructional Services	287,728	747,226
Payments to Member Districts	16,637	24,016
Other Intergovernmental Charges	58,983	
	<u>\$ 4,988,628</u>	<u>\$ 5,037,947</u>
Increase in Net Position	<u>\$ 360,694</u>	<u>\$ 337,698</u>

The District's total revenues decreased from \$5,375,645 in fiscal year 2014 to \$5,349,322, a decrease of \$26,323. This decrease was attributable to decreases in state revenue net of increases in the Virtual School Network. The total expenses of the District decreased by \$51,213 from \$5,037,947 to \$4,988,628 due to the decreases in recapture payments net of increases in food costs and increase in expenses in the Virtual School Network.

Other factors impacting the District's financial position include the following:

- The District increased the total property tax rate by \$0.0264 cents per 100 dollars of valuation. The District is currently below the State maximum tax rate for maintenance and operations of \$1.04, with a rate of \$1.03 and \$1.00 for the fiscal years ended August 31, 2015 and 2014, respectively. The District's appraised valuation of taxable property decreased from \$286,033,145 to \$283,878,516, a decrease of \$5,154,629, or 0.76%. This decrease is attributable to a slight decline in property values. The total school property taxes assessed for school year 2015 were \$3,772,462. This is an increase of \$46,880 from the \$3,725,582 assessed in 2014, and is attributable to increase in tax rate, even though slight decline in property values.
- The District's average daily attendance (ADA) is the basis for most of the State funding. The ADA increased from 103 in 2014 to 109 in 2015.

Fund Balances

The District's total Governmental Funds fund balance was \$6,242,122. This fund balance is reported in the various Governmental funds as follows:

General Fund Unassigned \$1,522,226. This balance is available for current spending; however, it has been the practice of the District to try and maintain a fund balance that is at least equal to several months operating expenses.

General Fund Committed for Construction \$4,655,000. This balance has been committed for construction by the Board of Trustees for future planned construction projects.

Debt Service Fund \$64,896. These funds are restricted by debt service covenants to fund the principal and interest payments of the bond issues.

Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

Financial statement footnote no. 6 discloses the capital asset activity for the year ended August 31, 2015.

DEBT

Financial statement footnote no. 8 discloses the debt activity for the year ended August 31, 2015.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has budgeted \$3,565,244 in general fund revenues for fiscal year 2015-2016. This is a decrease of \$212,406 from the \$3,777,650 actual general fund revenue for 2014-2015 fiscal year.

The District also budgeted \$3,935,366 in general fund expenditures for fiscal year 2015-2016. This is a decrease of \$193,111 from the actual general fund expenditures of \$4,128,477 expended in 2014-2015.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Guthrie Common School District, P.O. Box 70, Guthrie, Texas 79236.

BASIC FINANCIAL STATEMENTS

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION
AUGUST 31, 2015

Data Control Codes		Primary Government		3 Total
		1 Governmental Activities	2 Business-Type Activities	
	ASSETS AND OTHER DEBITS:			
1110	Cash and Cash Equivalents	\$ 6,290,268	\$ 472,154	\$ 6,762,422
1220	Property Taxes Receivable	14,691		14,691
1230	Allowance for Uncollectible Taxes	(1,295)		(1,295)
1240	Due from Other Governments	309,132		309,132
1250	Accrued Interest	1,168		1,168
1260	Internal Balances	(113,655)	113,655	0
	Capital Assets:			
1510	Land	41,061		41,061
1520	Buildings, Net	8,817,149		8,817,149
1530	Furniture and Equipment, Net	57,882		57,882
1540	Vehicles, Net	253,075		253,075
1000	Total Assets	\$ 15,669,476	\$ 585,809	\$ 16,255,285
	DEFERRED OUTFLOWS OF RESOURCES:			
1705	Deferred Outflow Related to Pension Liability	\$ 34,365		\$ 34,365
1700	Total Deferred Outflows of Resources	\$ 34,365	\$ 0	\$ 34,365
	LIABILITIES:			
2110	Accounts Payable	\$ 35,845	\$	\$ 35,845
2160	Accrued Wages Payable	94,291	3,360	97,651
2200	Accrued Expenses	1,630	67	1,697
2501	Due Within One Year	755,000		755,000
2502	Due in More than One Year	2,445,000		2,445,000
2540	Net Pension Liability	209,711		209,711
2000	Total Liabilities	\$ 3,541,477	\$ 3,427	\$ 3,544,904
	DEFERRED INFLOWS OF RESOURCES:			
2605	Deferred Inflow Related to Pension Liability	\$ 64,151		\$ 64,151
2600	Total Deferred Inflows of Resources	\$ 64,151	\$ 0	\$ 64,151
	NET POSITION:			
3200	Net Investment in Capital Assets	\$ 5,969,169	\$	\$ 5,969,169
3850	Restricted for Debt Service	65,488		65,488
3900	Unrestricted Net Position	6,063,556	582,382	6,645,938
3000	Total Net Position	\$ 12,098,213	\$ 582,382	\$ 12,680,595

The accompanying notes are an integral part of this statement.

-11-
GUTHRIE COMMON SCHOOL DISTRICT

Exhibit B-1

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		3	4	6	7	8
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
11	Instruction	\$ 1,870,496	\$	\$ 112,840	\$ (1,757,656)	\$ (1,757,656)
12	Instructional Resources and Media Services	102,015		5,826	(96,189)	(96,189)
13	Curriculum and Staff Development	17,067			(17,067)	(17,067)
23	School Leadership	32,398		1,122	(31,276)	(31,276)
31	Guidance, Counseling, and Evaluation Services	16,968		607	(16,361)	(16,361)
33	Health Services	2,379			(2,379)	(2,379)
34	Student Transportation	234,682		5,649	(229,033)	(229,033)
35	Food Services	242,270		2,944	(239,326)	(239,326)
36	Extracurricular Activities	184,483	6,902	2,597	(174,984)	(174,984)
41	General Administration	280,083		5,751	(274,332)	(274,332)
51	Plant Maintenance and Operations	947,341		16,472	(930,869)	(930,869)
52	Security and Monitoring Services	6,327		19	(6,308)	(6,308)
53	Data Processing Services	77,004		2,604	(74,400)	(74,400)
72	Interest on Long-Term Debt	112,188			(112,188)	(112,188)
73	Bond Issuance Cost and Fees	800			(800)	(800)
91	Contracted Instructional Services	287,728			(287,728)	(287,728)
93	Payments to Member Districts	16,637			(16,637)	(16,637)
99	Other Intergovernmental Charges	58,983			(58,983)	(58,983)
	TG Total Governmental Activities	\$ 4,489,849	\$ 6,902	\$ 156,431	\$ (4,326,516)	\$ (4,326,516)
BUSINESS-TYPE ACTIVITIES						
01	Enterprise Funds - Locally Defined	498,779	698,514		199,735	199,735
	TP Total Primary Government	\$ 4,988,628	\$ 705,416	\$ 156,431	\$ 199,735	\$ (4,126,781)
Data Control Codes	<u>General Revenues:</u>					
MT	Property Taxes, Levied for General Purposes			\$ 2,917,034	\$	\$ 2,917,034
DT	Property Taxes, Levied for Debt Service			843,663		843,663
SF	State Aid Formula Grants			582,183		582,183
GC	Grants and Contributions not Restricted			7,384		7,384
IE	Investment Earnings			12,927		12,927
MI	Miscellaneous Local and Intermediate Revenue			124,284		124,284
TR	Total General Revenues and Special Items			\$ 4,487,475	\$ 0	\$ 4,487,475
CN	Change in Net Position			\$ 160,959	\$ 199,735	\$ 360,694
NB	Net Position - Beginning			12,174,857	382,647	12,557,504
PA	Prior Period Adjustment Required by GASB 68			(237,603)		(237,603)
NE	Net Position - Ending			\$ 12,098,213	\$ 582,382	\$ 12,680,595

The accompanying notes are an integral part of this statement.

-12-
GUTHRIE COMMON SCHOOL DISTRICT

EXHIBIT C-1

**BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015**

Data Control Codes	10 General Fund	50 Debt Service Fund	Nonmajor Governmental Funds	98 Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 6,224,299	\$ 64,896	\$	\$ 6,289,195
1220	Property Taxes - Delinquent	11,609	3,082		14,691
1230	Allowance for Uncollectible Taxes	(1,201)	(94)		(1,295)
1240	Due from Other Governments	309,132			309,132
1250	Accrued Interest	1,168			1,168
1000	Total Assets	<u>\$ 6,545,007</u>	<u>\$ 67,884</u>	<u>\$ 0</u>	<u>\$ 6,612,891</u>
LIABILITIES					
2110	Accounts Payable	\$ 21,582	\$	\$	\$ 21,582
2160	Accrued Wages Payable	94,291			94,291
2170	Due to Other Funds	239,870			239,870
2200	Accrued Expenditures	1,630			1,630
2000	Total Liabilities	<u>\$ 357,373</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 357,373</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	\$ 10,408	\$ 2,988	\$	\$ 13,396
2600	Total Deferred Inflows	<u>\$ 10,408</u>	<u>\$ 2,988</u>	<u>\$ 0</u>	<u>\$ 13,396</u>
FUND BALANCES					
Restricted for:					
3480	Retirement of Long-Term Debt	\$	\$ 64,896	\$	\$ 64,896
Committed for:					
3510	Construction	4,655,000			4,655,000
3600	Unassigned	1,522,226			1,522,226
3000	Total Fund Balances	<u>\$ 6,177,226</u>	<u>\$ 64,896</u>	<u>\$ 0</u>	<u>\$ 6,242,122</u>
4000	Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 6,545,007</u>	<u>\$ 67,884</u>	<u>\$ 0</u>	<u>\$ 6,612,891</u>

The accompanying notes are an integral part of this statement.

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
AUGUST 31, 2015

Data
Control
Codes

	Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 6,242,122
1	The District uses internal service funds to charge the costs of certain activities, such as workers compensation, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	113,025
2	Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$15,189,099, and the accumulated depreciation was (\$5,783,252). The net effect of including beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	9,405,847
3	The issuance of long-term debt provides current financial resources to governmental funds but does not effect the Statement of Activities. This amount is the beginning of the year outstanding bonds payable.	(3,935,000)
4	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statement, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays \$258,036 and debt principal payments \$735,000 is to increase net position.	993,036
5	The 2015 depreciation expense of (\$494,716) increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(494,716)
6	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liabilities required by GASB 68 in the amount of (\$209,711), a Deferred Resource Inflow related to TRS in the amount of (\$64,151), and a Deferred Resource Outflow related to TRS in the amount of \$34,365. This amounted to a decrease in net position.	(239,497)
7	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This includes recognizing deferred property tax revenue of \$13,396 as revenue. The effect of this reclassification is to increase net position.	<u>13,396</u>
19	Net Position - Governmental Activities (Exhibit A-1)	<u>\$ 12,098,213</u>

The accompanying notes are an integral part of this statement.

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
Revenues:				
5700 Local and Intermediate Sources	\$ 3,059,008	\$ 843,071	\$	\$ 3,902,079
5800 State Program Revenues	716,642		7,776	724,418
5900 Federal Program Revenues			21,580	21,580
5020 Total Revenues	\$ <u>3,775,650</u>	\$ <u>843,071</u>	\$ <u>29,356</u>	\$ <u>4,648,077</u>
Expenditures:				
0011 Instruction	\$ 1,633,118	\$	\$ 29,356	\$ 1,662,474
0012 Instructional Resources and Media Services	90,050			90,050
0013 Curriculum and Staff Development	15,076			15,076
0023 School Leadership	28,602			28,602
0031 Guidance, Counseling, and Evaluation Services	14,976			14,976
0033 Health Services	2,101			2,101
0034 Student Transportation	275,295			275,295
0035 Food Services	213,988			213,988
0036 Extracurricular Activities	162,926			162,926
0041 General Administration	247,342			247,342
0051 Plant Maintenance and Operations	843,084			843,084
0052 Security and Monitoring Services	5,589			5,589
0053 Data Processing Services	68,000			68,000
0071 Principal on Long-Term Debt		735,000		735,000
0072 Interest on Long-Term Debt		112,188		112,188
0073 Bond Issuance Cost and Fees		800		800
0081 Facilities Acquisition and Construction	164,983			164,983
0091 Contracted Instructional Services	287,728			287,728
0093 Payments to Fiscal Agent/Member Districts	16,637			16,637
0099 Other Intergovernmental Charges	58,983			58,983
6030 Total Expenditures	\$ <u>4,128,478</u>	\$ <u>847,988</u>	\$ <u>29,356</u>	\$ <u>5,005,822</u>
1200 Net Change in Fund Balance	\$ (352,828)	\$ (4,917)	\$ 0	\$ (357,745)
0100 September 1 - Fund Balance	<u>6,530,054</u>	<u>69,813</u>	<u>0</u>	<u>6,599,867</u>
3000 August 31 - Fund Balance	\$ <u>6,177,226</u>	\$ <u>64,896</u>	\$ <u>0</u>	\$ <u>6,242,122</u>

The accompanying notes are an integral part of this statement.

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-3) \$ (357,745)

Amounts reported for governmental activities in the statement of activities (Exhibit B-1) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$494,716) exceeded capital outlays of \$258,036 in the current period. (236,680)

Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net amount by which deferred revenue changed between the current year (\$10,665) and the prior year \$13,396. 2,731

Repayment of the bond and other long-term debt principal \$735,000 is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 735,000

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2014 cause the change in the ending net position to increase in the amount of \$17,491. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for fiscal year 2015 were (\$32,577) for pension expense and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$13,192. This caused a decrease in the change in net position in the amount of (\$19,385). The impact of all of these is to decrease the change in net position by (\$1,894). (1,894)

Internal service funds are used by management to charge the costs of certain activities, such as workers compensation, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit D-2). 19,547

Change in Net Position of Governmental Activities (Exhibit B-1) \$ 160,959

The accompanying notes are an integral part of this statement.

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2015

	<u>Business Activities 711 Enterprise Fund</u>	<u>Governmental Activities 753 Internal Service fund</u>
ASSETS:		
Cash and Temporary Investments	\$ 472,154	\$ 1,073
Due from Other Funds	117,120	126,216
Total Assets	<u>\$ 589,274</u>	<u>\$ 127,289</u>
LIABILITIES:		
Accounts Payable	\$	\$ 14,264
Accrued Wages Payable	3,360	
Due to Other Funds	3,466	
Accrued Expenditures	67	
Total Liabilities	<u>\$ 6,893</u>	<u>\$ 14,264</u>
NET POSITION:		
Unrestricted Net Position	<u>\$ 582,381</u>	<u>\$ 113,025</u>

The accompanying notes are an integral part of this statement.

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Business Activities <u>711</u> Enterprise Fund	Governmental Activities <u>753</u> Internal Service Fund
OPERATING REVENUES		
Charges to Other Funds	\$	\$ 33,870
Local and Intermediate Sources	698,514	
Total Revenues	<u>\$ 698,514</u>	<u>\$ 33,870</u>
 OPERATING EXPENSES		
Fixed Costs and Fees	\$	\$ 10,101
Claims Paid		4,222
Instructional Costs	498,780	
Total Expenses	<u>\$ 498,780</u>	<u>\$ 14,323</u>
 Change in Net Position	\$ 199,734	\$ 19,547
 Net Position - September 1 (Beginning)	<u>382,647</u>	<u>93,478</u>
 Net Position - August 31 (Ending)	<u>\$ 582,381</u>	<u>\$ 113,025</u>

The accompanying notes are an integral part of this statement.

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	<u>Business Activities 711 Enterprise Fund</u>	<u>Governmental Activities 753 Internal Service Fund</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash Flows from Operating Activities		
Cash Received from User Charges	\$ 698,514	\$ 3,000
Cash Payments to Suppliers for Goods and Services	<u>(496,401)</u>	<u>(1,927)</u>
Net Cash Provided by Operating Activities	<u>\$ 202,113</u>	<u>\$ 1,073</u>
Net Increase in Cash and Cash Equivalents	\$ 202,113	\$ 1,073
Cash and Cash Equivalents at Beginning of the Year	<u>270,041</u>	<u>0</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 472,154</u></u>	<u><u>\$ 1,073</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 199,734	\$ 19,547
Changes in Assets and Liabilities		
Increase in Due from Other Funds		(20,639)
Increase in Accounts Payable	385	2,165
Increase in Accrued Wages Payable	1,987	
Increase in Due to Other Funds	<u>7</u>	
Net Cash Provided by Operating Activities	<u><u>\$ 202,113</u></u>	<u><u>\$ 1,073</u></u>

The accompanying notes are an integral part of this statement.

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
AUGUST 31, 2015

	<u>Agency Fund</u>
ASSETS:	
Cash and Temporary Investments	\$ <u>64,888</u>
Total Assets	\$ <u>64,888</u>
LIABILITIES:	
Due to Student Groups	\$ <u>64,888</u>
Total Liabilities	\$ <u>64,888</u>
NET POSITION:	
Unrestricted Net Position	\$ <u><u>0</u></u>

The accompanying notes are an integral part of this statement.

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Guthrie Common School District's (the District) basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America promulgated by the Government Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of School Trustees (the Board), a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public. The Board has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (the Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined in governmental accounting and financial reporting standards. There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities.

B. BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, state foundation funds, grants, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (i.e., internal service funds are considered governmental activities and not business-type activities).

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/from on the government-wide Statement of Activities.

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is (\$237,603). The restated beginning net position is \$12,319,901.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. Major governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from local sources consist primarily of property taxes. No amounts have been recorded for property tax revenues collected after August 31, 2015. State revenues 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.

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

In the fund financial statements, governmental fund types recognize bond issue costs in the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The proprietary fund and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. Interest income earned on the operating cash account is considered operating revenue. All other revenues are non-operating.

GOVERNMENTAL FUND TYPES

The District reports the following major governmental funds:

General Fund – This fund is established to account for resources used for general operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund and undesignated fund balances are considered resources available for current operations.

For the year ended August 31, 2015, the District accounted for its Food Service Fund in the general fund. Students are not charged for meals, and the general fund subsidizes all expenditures in the Food Service Fund.

Debt Service Fund – This fund is used to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which tax has been dedicated. This is a budgeted fund and any unused sinking fund balances will be transferred to the general fund after all of the related debt obligations have been met.

Additionally, the government reports the following governmental fund types:

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Unused balances are returned to the grantor at the close of specified project periods.

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

PROPRIETARY FUND TYPES

Internal Service Funds – Internal service funds are used to account for revenues and expenses related to services provided to parties inside the District, specifically for the operation of the District's partially self-funded insurance plan for workers' compensation on a cost-reimbursement basis.

Enterprise Fund – The Enterprise Fund is used to account for the District's participation in the Texas Virtual School Network Learning Program. The District establishes its own pricing policies for this program designed to make a profit.

FIDUCIARY FUND TYPES

Agency Funds – These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

Capital assets, which include buildings and improvements, furniture and equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are not capitalized.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the District to refund all or part of the unused amount.

Supplies and materials are debited as expenditures when purchased.

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

-24-
GUTHRIE COMMON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR. Mandatory codes are utilized in the form provided in that section.

D. BUDGETARY DATA

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund, debt service fund, and the food service special revenue fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact and they are reflected in the official minutes of the Board. During the year, several amendments were necessary.

E. ENCUMBRANCE ACCOUNTING

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 outstanding encumbrances at August 31, 2015.

F. FUND EQUITY

The District has adopted GASB Statement 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of restriction by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Committed – Amounts that can be used only for specific purposes determined by formal action by the Board of Trustees, the highest level of decision making authority.

Assigned – Amounts that can be used for a specific purpose as expressed by the authorized administrator, the Superintendent.

Unassigned – Amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

G. NET POSITION ON THE STATEMENT OF NET POSITION

Net position on the Statement of Net Position include the following:

Net Investment in Capital Assets – this component of net position represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service – this component of net position represents the difference between assets and liabilities of the debt service fund that consists of assets with constraints placed on their use by creditors.

Unrestricted – the difference between assets and liabilities that is not reported in Net Investment in Capital Assets or Restricted for Debt Service.

H. PENSIONS

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

I. CASH AND CASH EQUIVALENTS – PROPRIETARY FUNDS

For purposes of the Statement of Cash Flows for proprietary fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

J. MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (the Act) (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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.

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

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does not address the following risks:

- a. **Custodial Credit Risk – Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk because its deposits are all covered by depository insurance and pledged securities held by a third party in the District's name.

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

- b. Concentration of Credit Risk – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2015, all of the District’s investments are in external investment pools, and as such the District has no risk.
- c. Credit Risk – The risk that an issuer of 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 August 31, 2015, the District was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

The carrying amount of the District’s cash and temporary investments at August 31, 2015, approximates fair value and consisted of the following shown below:

Cash in Bank	\$	158,484
Certificates of Deposit		488,121
Logic - Liquid Asset Portfolio		2,812
Texpool		389
Lonestar - Liquidity Plus Fund		713,985
Lonestar - Liquidity Corporate Fund		5,463,519
	\$	<u>6,827,310</u>
Cash and Investments - Governmental Funds	\$	6,762,422
Cash and Investments - Fiduciary Funds		64,888
	\$	<u>6,827,310</u>

Public Funds Investment Pools

Public Funds Investment Pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment 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.

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

-28-
GUTHRIE COMMON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

3. PROPERTY TAXES

Property taxes were levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. All property taxes remaining uncollected after 10 years are provided for in the allowance for uncollectible 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.

4. DUE FROM OTHER GOVERNMENTS

The amount due from other governments consisted of \$309,132 due primarily from the State for amount earned and receivable under the Foundation and Per Capita programs and the District's shared service arrangement fiscal agent.

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2015, consisted of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund		
Internal Service Funds	\$	\$ 122,750
Enterprise Fund		117,120
	<u>\$ 0</u>	<u>\$ 239,870</u>
Internal Service Funds		
General Fund	\$ 122,750	\$
Enterprise Fund	3,466	
	<u>\$ 126,216</u>	<u>\$ 0</u>
Enterprise Fund		
General Fund	\$ 117,120	\$
Internal Service Fund		3,466
	<u>\$ 117,120</u>	<u>\$ 3,466</u>
	<u>\$ 243,336</u>	<u>\$ 243,336</u>

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

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

	<u>9/1/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>8/31/2015</u>
Capital Assets:				
Land	\$ 41,061	\$	\$	\$ 41,061
Building and Improvements	14,039,981	164,983		14,204,964
Furniture and Equipment	271,478	16,003		287,481
Vehicles	836,579	77,050		913,629
	<u>\$ 15,189,099</u>	<u>\$ 258,036</u>	<u>\$ 0</u>	<u>\$ 15,447,135</u>
Accumulated Depreciation:				
Building and Improvements	\$ 4,990,609	\$ 397,206	\$	\$ 5,387,815
Furniture and Equipment	207,837	21,762		229,599
Vehicles	584,806	75,748		660,554
	<u>\$ 5,783,252</u>	<u>\$ 494,716</u>	<u>\$ 0</u>	<u>\$ 6,277,968</u>
Total Net Value of Capital Assets	<u>\$ 9,405,847</u>	<u>\$ (236,680)</u>	<u>\$ 0</u>	<u>\$ 9,169,167</u>

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

Instruction	\$ 224,416
Instruction Resources and Media Services	12,374
Curriculum and Instructional Staff Development	2,072
School Leadership	3,930
Guidance, Counseling, and Evaluation Services	2,058
Health Services	289
Student Transportation	37,830
Food Services	29,405
Extracurricular Activities	22,388
General Administration	33,989
Plant Maintenance and Operations	115,853
Security and Monitoring Services	768
Data Processing Services	9,344
	<u>\$ 494,716</u>

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

Buildings and Improvements	15 - 30 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 10 years

**GUTHRIE COMMON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

7. UNAVAILABLE REVENUE – PROPERTY TAXES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Deferred inflows of resources consisted of the following at August 31, 2015:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Taxes - Delinquent	\$ 11,609	\$ 3,082	\$ 14,691
Less: Allowance for Uncollectible Taxes	<u>(1,201)</u>	<u>(94)</u>	<u>(1,295)</u>
Total Deferred Inflows (Exhibit C-1)	<u>\$ 10,408</u>	<u>\$ 2,988</u>	<u>\$ 13,396</u>

8. LONG-TERM DEBT

General Obligation Bonds

A summary of changes in bonds payable for the year ended August 31, 2015, is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>	<u>Amount Outstanding 8/31/2014</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding 8/31/2015</u>
2009 Unlimited Tax School Building Bonds	3.0 - 4.125%	\$ 3,000,000	\$ 1,910,000	\$	\$ 245,000	\$ 1,665,000
2011 Unlimited Tax Refunding Bonds	2.0 - 3.0%	<u>3,440,000</u>	<u>2,025,000</u>		<u>490,000</u>	<u>1,535,000</u>
		<u>\$ 6,440,000</u>	<u>\$ 3,935,000</u>	<u>\$ 0</u>	<u>\$ 735,000</u>	<u>\$ 3,200,000</u>

On July 1, 2009, the District issued \$3,000,000 in unlimited tax school building bonds. The District used the bonds to complete the construction and equipping of school buildings, purchase of necessary sites, and paying the costs of issuing the bonds. Interest expenditures for bonded debt for the year ended August 31, 2015, totaled \$71,338.

On February 10, 2011, the District issued \$3,440,000 of bonds with an average rate of 2.50%, which was used to advance refund \$3,445,000 of outstanding series 2007 bonds to take advantage of lower interest rates and reduce its overall debt service. Interest expenditures for bonded debt for the year ended August 31, 2015, totaled \$40,850.

Debt service requirements are as follows:

<u>Fiscal Year Ending August 31,</u>	<u>2009 Bonds</u>		<u>2011 Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 255,000	62,269	\$ 500,000	30,950	\$ 848,219
2017	265,000	52,188	510,000	20,850	848,038
2018	275,000	41,388	525,000	7,875	849,263
2019	<u>870,000</u>	<u>17,944</u>			<u>887,944</u>
	<u>\$ 1,665,000</u>	<u>\$ 173,789</u>	<u>\$ 1,535,000</u>	<u>\$ 59,675</u>	<u>\$ 3,433,464</u>

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

9. OPERATING LEASES

The District had entered into a lease agreement with Sovereign Bank to lease a bus. The lease is for two years with the option to buy at fair market value of \$62,250 at the end of the lease in 2016. For the year ended August 31, 2015, lease expenditures approximated \$15,044, including interest expense of \$175.

Future minimum rental payments for the operating lease are as follows:

Fiscal Year Ending August 31,	Total Payments
2016	\$ 15,044

10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service	Totals
Property Taxes, Penalties, Interest, and Other Tax-Related Income	\$ 2,914,895	\$ 843,071	\$ 3,757,966
Interest Income	12,971		12,971
Rent	112,744		112,744
Other	18,398		18,398
	<u>\$ 3,059,008</u>	<u>\$ 843,071</u>	<u>\$ 3,902,079</u>

11. DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Pension Plan Fiduciary Net Position

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

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as Percentage of Total Pension Liability	83.25%

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 five 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 five years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than six percent of the member's annual compensation and a state contribution rate of not less than six percent and not more than ten percent 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.

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	Contribution Rates	
	2014	2015
Member	6.40%	6.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%

2014 Employer Contributions	\$	19,905
2014 Member Contributions		104,861
2014 NECE On-Behalf Contributions		92,463

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

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

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

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

GUTHRIE COMMON SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry
	Age Normal
Amortization Method	Level Percentage
	of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market
	Value
Discount Rate	8.00%
Long-Term expected Investment	
Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate

The discount rate used to measure the total pension liability was eight percent. 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 eight percent.

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18.00%	7.00%	1.40%
Non-U.S. Developed	13.00%	7.30%	1.10%
Emerging Markets	9.00%	8.10%	0.90%
Directional Hedge Funds	4.00%	5.40%	0.20%
Private Equity	13.00%	9.20%	1.40%
Stable Value			
U.S. Treasuries	11.00%	2.90%	0.30%
Absolute Return	0.00%	4.00%	0.00%
Stable Value Hedge Funds	4.00%	5.20%	0.20%
Cash	1.00%	2.00%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	3.10%	0.00%
Real Assets	16.00%	7.30%	1.50%
Energy and Natural Resources	3.00%	8.80%	0.30%
Commodities	0.00%	3.40%	0.00%
Risk Parity			
Risk Parity	5.00%	8.90%	0.40%
Alpha			1.00%
Total	<u>100.00%</u>		<u>8.70%</u>

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

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used (eight percent) in measuring the 2014 Net Pension Liability.

	1% Decrease in <u>Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	1% Increase in <u>Discount Rate (9.0%)</u>
GCSD's Proportionate Share of the Net Pension Liability	\$ <u>374,741</u>	\$ <u>209,711</u>	\$ <u>86,300</u>

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

At August 31, 2015, Guthrie ISD reported a liability of \$209,711 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Guthrie ISD. The amount recognized by Guthrie ISD 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 Guthrie ISD were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 209,711
State's Proportionate Share that is Associated with the District	<u>976,257</u>
Total	<u>\$ 1,185,968</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .0007851%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the year ended August 31, 2014, Guthrie ISD recognized pension expense of \$90,253 and revenue of \$90,253 for support provided by the State.

At August 31, 2014, Guthrie ISD reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 3,243	\$
Changes in Actuarial Assumptions	13,631	
Difference Between Projected and Actual Investment Earnings		64,096
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions		55
Contributions Paid to TRS Subsequent to the Measurement Date	17,491	
Total	<u>\$ 34,365</u>	<u>\$ 64,151</u>

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

	Pension Expense Amount
2016	\$ (13,187)
2017	(13,187)
2018	(13,187)
2019	(13,187)
2020	2,837
Thereafter	2,634

At August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total Net Amounts as of August 31, 2014 Measurement Date	\$ 16,874	\$ 64,151
Contributions Made Subsequent to the Measurement Date	17,491	
Reported by District as of August 31, 2015	<u>\$ 34,365</u>	<u>\$ 64,151</u>

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

12. SELF-INSURANCE – WORKMEN'S COMPENSATION

The District participates in a public entity risk pool for its Workmen's Compensation Insurance needs. Over 100 school districts participate in the pool administered by Claims Administrative Services, Inc. The agreement between the District and the pool is renewable annually on September 1. The District's maximum loss under the agreement for 2015 was set at \$23,369, excluding fixed costs of \$9,078. The pool is protected against unanticipated catastrophic loss by stop loss coverage provided through Midwest Employers Casualty Corporation. The stop loss policy covers individual claims in excess of \$500,000. The District accounts for its costs associated with the pool through an internal service fund. The claims administrator for the pool has estimated the District's share of unpaid claims as of August 31, 2015, to be \$14,265, and estimated claims incurred but not reported of \$13,836. The District has recorded \$14,265 as claims payable at August 31, 2015, related to this liability.

13. HEALTH CARE COVERAGE

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan through TRS – Active Care. The District contributed \$225 of the employee-only premium per month and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under this plan, the District is not liable for costs incurred beyond the premiums paid.

Payments made on behalf of the District by the state for Medicare, Part D fringe benefits and salaries amounted to \$5,162 and \$4,272 for the years ended August 31, 2015 and 2014, respectively.

14. LITIGATION

There is no litigation pending against the District which would have a material effect on the financial statements.

15. COMMITMENTS AND CONTINGENCIES

Federal and State Funding

The District participates in numerous state and federal 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 collectability 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 combined financial statements for such contingencies.

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

16. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through November 23, 2015, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Data Control Codes	1		2	3	Variance With Final Budget Favorable (Unfavorable)
	Budgeted Amounts			Actual	
	Original	Amended			
Revenues:					
5700	Local and Intermediate Sources	\$ 2,981,429	\$ 2,981,429	\$ 3,059,008	\$ 77,579
5800	State Program Revenues	700,810	700,810	716,642	15,832
5900	Federal Program Revenues	<u>26,000</u>	<u>26,000</u>		<u>(26,000)</u>
5020	Total Revenues	\$ <u>3,708,239</u>	\$ <u>3,708,239</u>	\$ <u>3,775,650</u> ✓	\$ <u>67,411</u>
Expenditures:					
0011	Instruction	\$ 1,570,969	\$ 1,633,118	\$ 1,633,118	\$ 0
0012	Instructional Resources and Media Services	110,986	90,986	90,050	936
0013	Curriculum and Instructional Staff Development	16,700	15,080	15,076	4
0021	Instructional Leadership	500	500		500
0023	School Leadership	26,036	29,036	28,602	434
0031	Guidance, Counseling, and Evaluation Services	15,517	15,517	14,976	541
0033	Health Services	7,800	3,800	2,101	1,699
0034	Student Transportation	236,684	275,684	275,295	389
0035	Food Services	124,931	217,331	213,988	3,343
0036	Extracurricular Activities	156,702	163,002	162,926	76
0041	General Administration	316,013	247,893	247,342	551
0051	Plant Maintenance and Operations	731,785	843,091	843,084	7
0052	Security and Monitoring Services	6,000	6,000	5,589	411
0053	Data Processing Services	120,819	68,819	68,000	819
0081	Facilities Acquisition and Construction	168,000	165,000	164,983	17
0091	Contracted Instructional Services	350,691	421,134	287,728	133,406
0093	Payments to Fiscal Agent/Member Districts	29,988	19,059	16,637	2,422
0099	Other Intergovernmental Charges		<u>59,120</u>	<u>58,983</u>	<u>137</u>
6030	Total Expenditures	\$ <u>3,990,121</u>	\$ <u>4,274,170</u>	\$ <u>4,128,478</u> ✓	\$ <u>145,692</u>
1200	Net Change in Fund Balance	\$ (281,882)	\$ (565,931)	\$ (352,828) ✓	\$ 213,103
0100	September 1 - Fund Balance	<u>6,530,054</u>	<u>6,530,054</u>	<u>6,530,054</u>	<u>0</u>
3000	August 31 - Fund Balance	\$ <u>6,248,172</u>	\$ <u>5,964,123</u>	\$ <u>6,177,226</u>	\$ <u>213,103</u>

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit G-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2015

	<u>2015</u>
District's Proportionate Share of the Net Pension Liability	0.000785%
District's Proportionate Share of Net Pension Liability	\$ 209,711
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>976,257</u>
Total	<u>\$ 1,185,968</u>
District's Covered-Employee Payroll	\$ 1,638,451
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	12.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

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

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit G-3

SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2015

	<u>2015</u>
Contractually Required Contribution	\$ 19,905
Contribution in Relation to the Contractually Required Contribution	<u>(19,905)</u>
Contribution Deficiency (Excess)	\$ <u>0</u>
District's Covered-Employee Payroll	1,787,232
Contributions as a Percentage of Covered-Employee Payroll	1.11%

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

GUTHRIE COMMON SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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
EXHIBITS H-1 THROUGH J-2

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit H-1

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

	Special Revenue Funds				Total Nonmajor Governmental Funds
	244 Career and Technical Grant	255 ESEA II, A Training and Recruiting Grant	270 ESEA VI, Part B Rural & Low Income	410 State Textbook Fund	
ASSETS:					
Cash and Cash Equivalents	\$	\$	\$	\$	\$ 0
Receivables from Other Governments					0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES:					
Accrued Wages Payable	\$	\$	\$	\$	\$ 0
Due to Other Funds					0
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FUND EQUITY:					
Total Fund Equity	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities and Fund Equity	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit H-2

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

	Special Revenue Funds				Total Nonmajor Governmental Funds
	244	255	270	410	
	Career and Technical Grant	ESEA II, A Training and Recruiting	ESEA VI Part B Rural and Low Income	State Textbook Fund	
REVENUES:					
State Program Revenues	\$	\$	\$	\$ 7,776	\$ 7,776
Federal Program Revenues	<u>1,781</u>	<u>2,475</u>	<u>17,324</u>		<u>21,580</u>
Total Revenues	<u>\$ 1,781</u>	<u>\$ 2,475</u>	<u>\$ 17,324</u>	<u>\$ 7,776</u>	<u>\$ 29,356</u>
EXPENDITURES:					
Instruction	\$ <u>1,781</u>	\$ <u>2,475</u>	\$ <u>17,324</u>	\$ <u>7,776</u>	\$ <u>29,356</u>
Total Expenditures	<u>\$ 1,781</u>	<u>\$ 2,475</u>	<u>\$ 17,324</u>	<u>\$ 7,776</u>	<u>\$ 29,356</u>
Excess of Revenues Over Expenditures	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance - September 1 (Beginning)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance - August 31 (Ending)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit J-1

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2015

Last Ten Years Ended August 31	1		2		3 Assessed/ Appraised Value for School Tax Purposes	10 Beginning Balance 9/1/2014	20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2015
	Maintenance	Debt Service	Various	Various							
2006 and Prior Years	Various	Various	Various	Various	\$ 1,514	\$	\$	\$	\$	\$ (218)	\$ 1,296
2007	1.41000	0.00000	280,476,048	280,476,048	75						75
2008	1.29000	0.00000	272,732,728	272,732,728	91	10		2			79
2009	0.98000	0.21000	309,744,878	309,744,878	191	9		2			180
2010	1.01000	0.19000	245,118,740	245,118,740	275						275
2011	0.98000	0.33420	268,200,806	268,200,806	184						184
2012	0.98000	0.34552	248,359,470	248,359,470	272						272
2013	0.98000	0.25890	331,124,550	331,124,550	2,690	146		38			2,506
2014	1.00000	0.30250	286,033,145	286,033,145	6,874	3,225		976	183		2,856
2015 (School Year Under Audit)	1.03000	0.29890	283,878,516	283,878,516		2,896,936	3,772,462	876,323	7,765		6,968
1000					\$ 12,166	\$ 2,900,326	\$ 3,772,462	\$ 877,341	\$ 7,730	\$	\$ 14,691

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit J-2

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended	Actual		
Revenues:					
5700	Local and Intermediate Sources	\$ 830,219	\$ 830,219	\$ 843,071	\$ 12,852
5020	Total Revenues	\$ 830,219	\$ 830,219	\$ 843,071	\$ 12,852
Expenditures:					
0071	Principal on Long-Term Debt	\$ 490,000	\$ 490,000	\$ 735,000	\$ (245,000)
0072	Interest on Long-Term Debt	40,850	40,850	112,188	(71,338)
0073	Bond Issuance Cost and Fees	600	600	800	(200)
6030	Total Expenditures	\$ 531,450	\$ 531,450	\$ 847,988	\$ (316,538)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 298,769	\$ 298,769	\$ (4,917)	\$ (303,686)
1200	Net Change in Fund Balance	\$ 298,769	\$ 298,769	\$ (4,917)	\$ (303,686)
0100	September 1 - Fund Balance	69,813	69,813	69,813	0
3000	August 31 - Fund Balance	\$ 368,582	\$ 368,582	\$ 64,896	\$ (303,686)

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1054

Independent Auditor's Report

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

Board of School Trustees
Guthrie Common School District
Guthrie, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Guthrie Common School District (the District) as of and for the year ended August 31, 2015, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guthrie Common School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 over financial reporting that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss, L.L.P.

Certified Public Accountants

Lubbock, Texas

November 23, 2015

GUTHRIE COMMON SCHOOL DISTRICT

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015**

Current Year Findings –

N/A

Corrective Action Plan –

N/A

Status of Prior Year Findings –

N/A

OTHER TEA REQUIRED SCHEDULE

GUTHRIE COMMON SCHOOL DISTRICT

Exhibit L-1

**SCHOOLS FIRST QUESTIONNAIRE
FOR THE YEAR ENDED AUGUST 31, 2015**

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreements at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, of 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 not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$ 0
SF11	Net Pension Assets (1920) at fiscal year end	\$ 0
SF12	Net Pension Liabilities (2540) at fiscal year end	\$ 209,711
SF13	Pension Expense (6147) at fiscal year end	\$ 19,385

