

**GREGORY-PORTLAND  
INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2017*



**Lovvorn & Kieschnick**

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**

**DIRECTORY OF OFFICIALS**

**AUGUST 31, 2017**

**BOARD OF TRUSTEES**

VICTOR HERNANDEZ	PRESIDENT
REY ROJAS	VICE-PRESIDENT
CARRIE GREGORY	SECRETARY
DEAN ATKINSON	MEMBER
GILBERT CORTINAS	MEMBER
RANDY EULENFELD	MEMBER
TIM FLINN	MEMBER

**OTHER OFFICIALS**

PAUL CLORE, PH.D.	SUPERINTENDENT
RONALD M. WILSON	CHIEF FINANCIAL OFFICER AND SAFETY COORDINATOR
VELMA SOLIZ-GARCIA	ASSISTANT SUPERINTENDENT— CURRICULUM & INSTRUCTION
LESLIE FAUGHT, ED.D.	ASSISTANT SUPERINTENDENT— SCHOOL LEADERSHIP & STUDENT SERVICES
DARLA CZERWINSKI	CHIEF HUMAN RESOURCES OFFICER
VANESSA RIGGS	DIRECTOR OF BUSINESS SERVICES

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Gregory-Portland Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2017

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*Introductory Section*

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CERTIFICATE OF BOARD

Gregory-Portland Independent School District  
Name of School District

San Patricio  
County

205-902  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) \_\_\_\_\_approved \_\_\_\_\_disapproved for the year ended August 31, 2017, at a meeting of the board of trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
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)

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*Financial Section*

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**Lovvorn & Kieschnick, LLP**  
418 Peoples Street, Ste. 308  
Corpus Christi, TX 78401

**Independent Auditor's Report**

To the Board of Trustees  
Gregory-Portland Independent School District  
608 College Street  
Portland, Texas 78374

**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 the Gregory-Portland Independent School District ("the District") as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gregory-Portland Independent School District as of August 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gregory-Portland Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2018 on our consideration of Gregory-Portland Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gregory-Portland Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX  
January 15, 2018

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*Management's Discussion and Analysis*

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**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2017  
UNAUDITED**

This section of Gregory-Portland Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

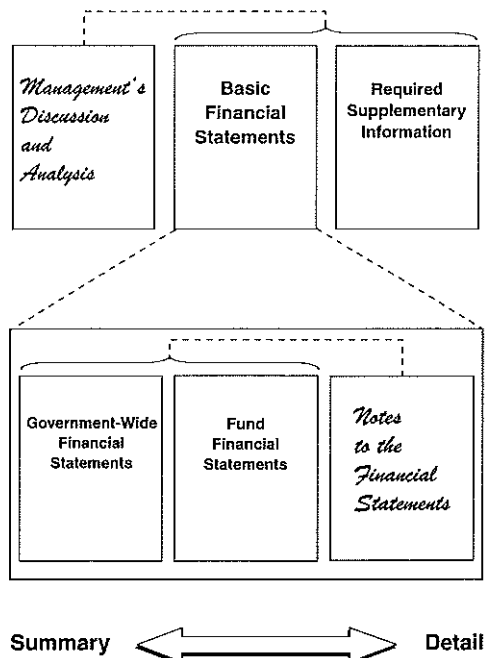
- The District's total combined net position was \$68,108,092 at August 31, 2017.
- During the year, the District's expenses were \$1,021,015 less than the \$46,840,885 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$30,309,224.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government services* were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of

net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes, state formula revenue, and grants finance most of these activities.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of Changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net position

The District's combined net position was \$68,108,092 at August 31, 2017. (See Table A-1.)

**Table A-1**  
Gregory-Portland Independent School District's Net Position  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2017-2016
	2017	2016*	2017	2016	2017	2016*	
<b>Current Assets:</b>							
Cash and Investments	52.3	48.8	1.1	1.2	53.4	50.0	6.8%
Property Taxes (Net)	0.5	0.4	-	-	0.5	0.4	25.0%
Due from Other Governments	0.7	1.0	-	-	0.7	1.0	-30.0%
Unrealized Expense	0.1	-	-	-	0.1	-	0.0%
<b>Total Current Assets:</b>	<b>53.6</b>	<b>50.2</b>	<b>1.1</b>	<b>1.2</b>	<b>54.7</b>	<b>51.4</b>	<b>6.4%</b>
<b>Noncurrent Assets:</b>							
Land	3.1	1.8	-	-	3.1	1.8	72.2%
Construction in Progress	7.2	4.1	-	-	7.2	4.1	75.6%
Buildings and Equipment, Net	74.3	71.9	0.3	0.2	74.6	72.1	3.5%
<b>Total Noncurrent Assets</b>	<b>84.6</b>	<b>77.8</b>	<b>0.3</b>	<b>0.2</b>	<b>84.9</b>	<b>78.0</b>	<b>8.8%</b>
<b>Total Assets</b>	<b>138.2</b>	<b>128.0</b>	<b>1.4</b>	<b>1.4</b>	<b>139.6</b>	<b>129.4</b>	<b>7.9%</b>
<b>Deferred Outflows of Resources:</b>							
Deferred Charge for Refunding	0.5	0.7	-	-	0.5	0.7	-28.6%
Deferred Outflow Related to Pensions	3.7	3.8	-	-	3.7	3.8	-2.6%
<b>Total Deferred Outflows of Resources</b>	<b>4.2</b>	<b>4.5</b>	<b>-</b>	<b>-</b>	<b>4.2</b>	<b>4.5</b>	<b>-6.7%</b>
<b>Current Liabilities:</b>							
Accounts Payable and Accrued Liabilities	4.3	4.2	1.0	-	5.3	4.2	26.2%
Interest Payable	0.1	0.1	-	-	0.1	0.1	0.0%
Due to Other Governments	1.2	-	-	-	1.2	-	0.0%
Unearned Revenue	0.3	0.3	1.0	-	1.3	0.3	333.3%
<b>Total Current Liabilities</b>	<b>5.9</b>	<b>4.6</b>	<b>2.0</b>	<b>-</b>	<b>7.9</b>	<b>4.6</b>	<b>71.7%</b>
<b>Non-current Liabilities:</b>							
Due Within One Year	2.8	2.8	-	-	2.8	2.8	0.0%
Due in More Than One Year	59.1	52.0	-	-	59.1	52.0	13.7%
Net Pension Liability	7.3	6.7	-	-	7.3	6.7	9.0%
<b>Total Liabilities</b>	<b>75.1</b>	<b>66.1</b>	<b>2.0</b>	<b>-</b>	<b>77.1</b>	<b>66.1</b>	<b>16.6%</b>
<b>Deferred Inflows of Resources:</b>							
Deferred Inflow Related to Pensions	0.4	0.5	-	-	0.4	0.5	-20.0%
<b>Total Deferred Inflows of Resources</b>	<b>0.4</b>	<b>0.5</b>	<b>-</b>	<b>-</b>	<b>0.4</b>	<b>0.5</b>	<b>-20.0%</b>
<b>Net Position:</b>							
Net Investment in Capital Assets	36.1	36.2	0.3	0.2	36.4	36.4	0.0%
<b>Restricted For:</b>							
Federal and State Programs	-	-	0.9	1.2	0.9	1.2	-25.0%
Debt Service	2.1	2.1	-	-	2.1	2.1	0.0%
Unrestricted	28.7	27.6	-	-	28.7	27.6	4.0%
<b>Total Net Position</b>	<b>66.9</b>	<b>65.9</b>	<b>1.2</b>	<b>1.4</b>	<b>68.1</b>	<b>67.3</b>	<b>1.2%</b>

\*Restated

Approximately \$2.1 million of the District's restricted net position represents proceeds from local taxes. These proceeds, when spent, are restricted for debt service. The balance of restricted net position, \$0.9 million is restricted for use in state and federal programs. The \$28.7 million of unrestricted net position represents resources available to fund the programs of the District next year.

### Changes in net position

The District's total revenues were \$49.2 million. A significant portion, 54.7%, of the District's revenue comes from taxes. 29.3% comes from state aid, while 3.0% relates to charges for services.

The total cost of all programs and services was \$48.3 million.

**Table A-2**  
Changes in Gregory-Portland Independent School District's Net Position  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2017-2016
	2017	2016	2017	2016	2017	2016	
Program Revenues:							
Charges for Services	0.3	0.2	1.1	1.4	1.4	1.6	-12.5%
Operating Grants and Contributions	4.0	4.7	-	-	4.0	4.7	-14.9%
General Revenues:							
Property Taxes	26.9	20.8	-	-	26.9	20.8	29.3%
State Aid – Formula	14.4	19.0	-	-	14.4	19.0	-24.2%
Grants Not Restricted	-	-	1.3	1.2	1.3	1.2	8.3%
Other	1.2	1.2	-	-	1.2	1.2	0.0%
<b>Total Revenues</b>	<b>46.8</b>	<b>45.9</b>	<b>2.4</b>	<b>2.6</b>	<b>49.2</b>	<b>48.5</b>	<b>1.4%</b>
Expenses:							
Instruction	25.4	23.6	-	-	25.4	23.6	7.6%
Instructional Resources and Media Services	1.8	1.8	-	-	1.8	1.8	0.0%
Curriculum Dev. and Instructional Staff Dev.	0.3	0.4	-	-	0.3	0.4	-25.0%
Instructional Leadership	0.8	0.7	-	-	0.8	0.7	14.3%
School Leadership	2.9	2.7	-	-	2.9	2.7	7.4%
Guidance, Counseling and Evaluation Services	1.5	1.3	-	-	1.5	1.3	15.4%
Health Services	0.6	0.6	-	-	0.6	0.6	0.0%
Student (Pupil) Transportation	0.7	0.9	-	-	0.7	0.9	-22.2%
Food Services	0.1	0.1	2.5	2.4	2.6	2.5	4.0%
Curricular/Extracurricular Activities	1.4	1.4	-	-	1.4	1.4	0.0%
General Administration	1.8	1.7	-	-	1.8	1.7	5.9%
Plant Maintenance & Oper.	5.6	5.7	-	-	5.6	5.7	-1.8%
Security & Monitoring Services	0.1	0.1	-	-	0.1	0.1	0.0%
Debt Service	2.1	1.8	-	-	2.1	1.8	16.7%
Facilities Acquisition and Construction	0.2	0.8	-	-	0.2	0.8	-75.0%
Pmts to Shared Service Arrangement	-	-	-	-	-	-	0.0%
Payments to Tax Incremental Charges	-	0.1	-	-	-	0.1	-100.0%
Other Intergovernmental Charges	0.5	0.4	-	-	0.5	0.4	25.0%
<b>Total Expenses</b>	<b>45.8</b>	<b>44.1</b>	<b>2.5</b>	<b>2.4</b>	<b>48.3</b>	<b>46.5</b>	<b>3.9%</b>
<b>Increase (Decrease) in Net Position</b>	<b>1.0</b>	<b>1.8</b>	<b>(0.1)</b>	<b>0.2</b>	<b>0.9</b>	<b>2.0</b>	<b>-55.0%</b>

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$45.8 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$26.9 million.
- Some of the cost was paid by those who directly benefited from the programs, \$0.3 million, or
- By grants and contributions \$4.0 million.

**Table A-3**  
Net Cost of Selected Gregory-Portland Independent School District Functions  
(in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	2017	2016	% Change	2017	2016	% Change
Instruction	25.4	23.6	7.6%	22.5	20.4	10.3%
School Administration	1.8	1.7	5.9%	1.7	1.6	6.2%
Plant Maintenance & Operations	5.6	5.7	-1.8%	5.5	5.5	0.0%
Debt Service - Interest & Fiscal Charges	2.1	1.8	16.7%	2.1	1.5	40.0%

### **Business-type Activities**

Revenues of the District's business-type activities decreased \$254,213 and expenses increased \$147,248 from the preceding year.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$46.5 million, an increase of 4.1% from the preceding year.

### **General Fund Budgetary Highlights**

Over the course of the year, the Board of Trustees reviewed the District budget and made budget amendments. Even with these adjustments, actual expenditures were \$1.3 million below final budget amounts. Some large construction and maintenance projects were budgeted but not completed in fiscal year 2016-17. Staffing was also an area of positive variance. Staffing is budgeted for full employment and benefits throughout the entire year.

Resources available were \$2.2 million above the final budgeted amount.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2016-17, the District had invested \$109.8 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$8.6 million or 8.5% percent from last year.

**Table A-4**  
Gregory-Portland Independent School District's Capital Assets  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2017-2016
	2017	2016*	2017	2016	2017	2016*	
Land	3.1	1.8	-	-	3.1	1.8	72.2%
Buildings and Improvements	91.8	89.4	-	-	91.8	89.4	2.7%
Construction in Progress	7.2	4.1	-	-	7.2	4.1	75.6%
Vehicles	3.1	2.9	-	-	3.1	2.9	6.9%
Equipment	3.6	2.2	1.0	0.8	4.6	3.0	53.3%
Totals at Historical Cost	108.8	100.4	1.0	0.8	109.8	101.2	8.5%
Total Accumulated Depreciation	24.2	22.6	0.7	0.6	24.9	23.2	7.3%
Net Capital Assets	84.6	77.8	0.3	0.2	84.9	78.0	8.8%

\*Restated

### Long Term Debt

At year-end the District had \$69.2 million in bonds and net pension liability outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

#### Bond Ratings

The District's bonds presently carry "AAA" enhanced rating with underlying ratings as follows: Standard & Poors "AA-"; Moody's Aa3.

**Table A-5**  
Gregory-Portland Independent School District's Long-Term Debt  
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2017-2016
	2017	2016	2017	2016	2017	2016	
Bonds Payable	58.6	52.0	-	-	58.6	52.0	12.69%
Bond Premium	3.3	2.8	-	-	3.3	2.8	17.86%
Capital Lease	-	-	-	-	-	-	0.00%
Sub-Total	61.9	54.8	-	-	61.9	54.8	12.96%
Net Pension Liability	7.3	6.7	-	-	7.3	6.7	8.96%
Total Long-Term Debt	69.2	61.5	-	-	69.2	61.5	12.52%

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Factors taken into consideration during budget planning include the following:

- Appraised value used for the 2017-18 budget preparation is up \$996 million, or 56.64% from the prior-year estimated value.
- Anticipating an average daily attendance (ADA) of 4,250.
- General operating fund spending per student in average daily attendance increases in the 2017-18 budget from \$8,3896 to \$9,878.
- Increasing starting Teacher Salary to \$50,384 to maintain the highest starting salary in ESC 2.
- Adding staff targeted to support the Board of Trustee's and Superintendent's priorities.

Amounts available for appropriation in the general fund budget are \$46.2 million, an increase of 21.57% from the original 2016-17 budget of \$38 million. Total local revenue for the general fund will increase approximately \$8,246,476. State revenue sources are expected to increase \$57,542 from the amount budgeted for prior year.

General fund expenditures are budgeted to increase 8.66% to \$41.9 million. The District's largest budget item remains payroll. For the 2017-18 school year, the Board of Trustees approved a 3.0% raise based on the mid-point system for employees not on the Teacher Salary Schedule. Teachers' pay increases ranged from \$1,190 to \$2,000. The competitive salary schedule adjustments allowed the District to open the 2017-18 school year with no teacher vacancies.

The District continues to increase in expenditure needs because of salaries, curriculum needs, security needs, aging facilities, and increasing uncontrollable costs. Unfinished maintenance projects because of Hurricane Harvey or any other type of activity will be budgeted and completed in 2017-18. In addition, the Board has identified several areas of need to be addressed by assignments of fund balance.

The school board has supported senior District management which has been in place for 16+ years and has assured stability in financial management. The District uses conservative principles to manage financial activities, underestimating projected annual enrollment and/or increases to annual property valuations to ensure that budgets remain within projected revenues.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Chief Financial Officer, Gregory-Portland Independent School District at (361) 777-1091.

*Basic Financial Statements*

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**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2017**

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
1110	\$ 42,314,029	\$ 1,055,028	\$ 43,369,057
1120	10,005,589	--	10,005,589
1225	485,679	--	485,679
1240	662,016	34,657	696,673
1250	32,621	--	32,621
1290	4,000	--	4,000
1300	7,686	--	7,686
1410	80,632	--	80,632
Capital Assets:			
1510	3,103,041	--	3,103,041
1520	70,210,758	--	70,210,758
1530	4,162,134	307,708	4,469,842
1580	7,154,632	--	7,154,632
1000	<u>138,222,817</u>	<u>1,397,393</u>	<u>139,620,210</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
1701	508,450	--	508,450
1705	3,656,280	--	3,656,280
1700	<u>4,164,730</u>	<u>--</u>	<u>4,164,730</u>
<b>LIABILITIES:</b>			
2110	2,192,770	78,939	2,271,709
2140	114,714	--	114,714
2165	2,034,916	--	2,034,916
2180	1,195,015	--	1,195,015
2300	310,123	86,962	397,085
2400	11,207	--	11,207
Noncurrent Liabilities:			
2501	2,867,092	--	2,867,092
2502	59,039,710	--	59,039,710
2540	7,323,251	--	7,323,251
2000	<u>75,088,798</u>	<u>165,901</u>	<u>75,254,699</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
2605	422,149	--	422,149
2600	<u>422,149</u>	<u>--</u>	<u>422,149</u>
<b>NET POSITION:</b>			
3200	36,120,605	307,708	36,428,313
Restricted For:			
3820	6,503	923,784	930,287
3840	19,544	--	19,544
3850	2,036,896	--	2,036,896
3900	28,693,052	--	28,693,052
3000	<u>\$ 66,876,600</u>	<u>\$ 1,231,492</u>	<u>\$ 68,108,092</u>

The accompanying notes are an integral part of this statement.

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	1	3	4
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 25,377,233	\$ 24,750	\$ 2,865,616
12	Instructional Resources and Media Services	1,804,874	--	67,180
13	Curriculum and Staff Development	285,992	--	34,120
21	Instructional Leadership	832,632	--	117,509
23	School Leadership	2,893,571	--	147,411
31	Guidance, Counseling, & Evaluation Services	1,525,829	--	277,893
33	Health Services	589,764	--	140,364
34	Student Transportation	680,650	--	37,853
35	Food Service	57,549	--	20,325
36	Cocurricular/Extracurricular Activities	1,373,800	315,766	46,726
41	General Administration	1,803,825	--	65,568
51	Facilities Maintenance and Operations	5,627,056	--	149,598
52	Security and Monitoring Services	143,429	--	1,876
53	Data Processing Services	7,638	--	52
61	Community Services	9,366	--	8,845
72	Interest on Long-term Debt	1,949,450	--	33,445
73	Bond Issuance Costs and Fees	175,467	--	--
81	Capital Outlay	243,410	--	6,117
99	Other Intergovernmental Charges	438,334	--	--
TG	Total Governmental Activities	<u>45,819,869</u>	<u>340,516</u>	<u>4,020,498</u>
	Business-type Activities:			
05	Food Services	2,529,836	1,135,758	11,754
TB	Total Business-type Activities	<u>2,529,836</u>	<u>1,135,758</u>	<u>11,754</u>
TP	Total Primary Government	<u>\$ 48,349,706</u>	<u>\$ 1,476,274</u>	<u>\$ 4,032,252</u>
	General Revenues:			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
IE	Investment Earnings			
GC	Grants and Contributions Not Restricted to Specific Programs			
MI	Miscellaneous			
	Chapter 313 Payment			
	Special and Extraordinary Items:			
E2	Extraordinary Item Outflow - Hurricane Harvey			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

6                      7                      8

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (22,486,867)		\$ (22,486,867)
(1,737,694)		(1,737,694)
(251,872)		(251,872)
(715,123)		(715,123)
(2,746,160)		(2,746,160)
(1,247,936)		(1,247,936)
(449,400)		(449,400)
(642,797)		(642,797)
(37,224)		(37,224)
(1,011,308)		(1,011,308)
(1,738,257)		(1,738,257)
(5,477,458)		(5,477,458)
(141,553)		(141,553)
(7,586)		(7,586)
(521)		(521)
(1,916,005)		(1,916,005)
(175,467)		(175,467)
(237,293)		(237,293)
(438,334)		(438,334)
<u>(41,458,855)</u>		<u>(41,458,855)</u>
--	\$ (1,382,324)	(1,382,324)
--	(1,382,324)	(1,382,324)
<u>(41,458,855)</u>	<u>(1,382,324)</u>	<u>(42,841,179)</u>
20,127,531	--	20,127,531
3,916,613	--	3,916,613
489,629	--	489,629
14,427,677	1,240,548	15,668,225
706,024	--	706,024
2,816,398	--	2,816,398
(4,002)	--	(4,002)
<u>42,479,871</u>	<u>1,240,548</u>	<u>43,720,418</u>
1,021,015	(141,776)	879,239
65,855,585	1,373,268	67,228,853
<u>\$ 66,876,600</u>	<u>\$ 1,231,492</u>	<u>\$ 68,108,092</u>

## GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2017

Data Control Codes	10 General Fund	60 Capital Projects Fund - 2015	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 23,469,683	\$ 14,458,796	\$ 2,112,071	\$ 40,040,550
1120	Current Investments	10,005,589	--	--	10,005,589
1225	Taxes Receivable, Net	418,097	--	67,582	485,679
1240	Due from Other Governments	499,079	--	162,937	662,016
1250	Accrued Interest	32,621	--	--	32,621
1260	Due from Other Funds	13,842	--	33,216	47,058
1290	Other Receivables	4,000	--	--	4,000
1300	Inventories	7,686	--	--	7,686
1410	Unrealized Expenditures	80,632	--	--	80,632
1000	Total Assets	<u>34,531,229</u>	<u>14,458,796</u>	<u>2,375,806</u>	<u>51,365,831</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 399,169	\$ 1,762,304	\$ 22,096	\$ 2,183,569
2140	Interest Payable	--	--	25,095	25,095
2150	Payroll Deductions & Withholdings	51,839	--	--	51,839
2160	Accrued Wages Payable	1,808,622	--	--	1,808,622
2170	Due to Other Funds	33,216	13,842	--	47,058
2180	Due to Other Governments	1,191,557	--	3,458	1,195,015
2200	Accrued Expenditures	--	41,000	--	41,000
2300	Unearned Revenue	308,298	--	1,825	310,123
2400	Payable from Restricted Assets	11,207	--	--	11,207
2000	Total Liabilities	<u>3,803,908</u>	<u>1,817,146</u>	<u>52,474</u>	<u>5,673,528</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
2601	Unearned Revenue - Property Taxes	418,097	--	67,582	485,679
2600	Total Deferred Inflows of Resources	<u>418,097</u>	<u>--</u>	<u>67,582</u>	<u>485,679</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	7,686	--	--	7,686
3430	Prepaid Items	80,632	--	--	80,632
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	6,503	6,503
3480	Retirement of Long-Term Debt	--	--	2,084,028	2,084,028
3490	Other Restrictions of Fund Balance	--	12,641,650	19,544	12,661,194
Assigned Fund Balances:					
3590	Other Assigned Fund Balance	22,525,776	--	145,675	22,671,451
3600	Unassigned	7,695,130	--	--	7,695,130
3000	Total Fund Balances	<u>30,309,224</u>	<u>12,641,650</u>	<u>2,255,750</u>	<u>45,206,624</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 34,531,229</u>	<u>\$ 14,458,796</u>	<u>\$ 2,375,806</u>	<u>\$ 51,365,831</u>

The accompanying notes are an integral part of this statement.



**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET*  
*TO THE STATEMENT OF NET POSITION*  
 AUGUST 31, 2017

Total fund balances - governmental funds balance sheet	\$ 45,206,624
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
Capital assets used in governmental activities are not reported in the funds.	84,630,565
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	485,679
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	2,130,822
Payables for bond principal which are not due in the current period are not reported in the funds.	(58,583,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(89,619)
Premiums on issuance of bonds to be amortized over life of debt.	(3,323,803)
Deferred charge for refunding is expended in the funds, but is amortized in the statement of net position.	508,450
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(7,323,251)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(422,149)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>3,656,280</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 66,876,600</u>

The accompanying notes are an integral part of this statement.

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Data Control Codes	10 General Fund	60 Capital Projects Fund - 2015	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 23,879,680	\$ 164,359	\$ 4,272,902	\$ 28,316,941
5800 State Program Revenues	16,097,987	6,065	81,417	16,185,469
5900 Federal Program Revenues	255,740	--	1,747,365	2,003,105
5020 Total Revenues	<u>40,233,407</u>	<u>170,424</u>	<u>6,101,684</u>	<u>46,505,515</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	21,599,696	30,048	1,325,727	22,955,471
0012 Instructional Resources and Media Services	1,952,435	922,098	9,995	2,884,528
0013 Curriculum and Staff Development	239,526	--	29,052	268,578
0021 Instructional Leadership	681,094	--	82,513	763,607
0023 School Leadership	2,517,890	--	154,977	2,672,867
0031 Guidance, Counseling, & Evaluation Services	1,194,336	--	207,810	1,402,146
0033 Health Services	439,049	--	109,100	548,149
0034 Student Transportation	649,545	405,813	--	1,055,358
0035 Food Service	--	--	20,325	20,325
0036 Cocurricular/Extracurricular Activities	1,084,853	--	206,888	1,291,741
0041 General Administration	1,696,185	23,275	1,098	1,720,558
0051 Facilities Maintenance and Operations	5,642,749	86,255	--	5,729,004
0052 Security and Monitoring Services	133,290	264,859	--	398,149
0053 Data Processing Services	7,230	--	--	7,230
0061 Community Services	--	--	8,866	8,866
0071 Principal on Long-term Debt	323,218	--	2,130,000	2,453,218
0072 Interest on Long-term Debt	29,470	--	2,064,357	2,093,827
0073 Bond Issuance Costs and Fees	--	173,867	1,600	175,467
0081 Capital Outlay	6,920	7,659,761	--	7,666,681
0099 Other Intergovernmental Charges	438,334	--	--	438,334
6030 Total Expenditures	<u>38,635,820</u>	<u>9,565,976</u>	<u>6,352,308</u>	<u>54,554,104</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>1,597,587</u>	<u>(9,395,552)</u>	<u>(250,624)</u>	<u>(8,048,589)</u>
Other Financing Sources and (Uses):				
7911 Capital-Related Debt Issued (Regular Bonds)	--	9,050,000	--	9,050,000
7916 Premium on Issuance of Bonds	--	629,657	221,347	851,004
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>9,679,657</u>	<u>221,347</u>	<u>9,901,004</u>
<b>EXTRAORDINARY ITEM:</b>				
8913 Extraordinary Item (Use) - Hurricane Harvey	(4,002)	--	--	(4,002)
1200 Net Change in Fund Balances	<u>1,593,585</u>	<u>284,105</u>	<u>(29,277)</u>	<u>1,848,413</u>
0100 Fund Balances - Beginning	28,715,639	12,357,545	2,285,027	43,358,211
3000 Fund Balances - Ending	<u>\$ 30,309,224</u>	<u>\$ 12,641,650</u>	<u>\$ 2,255,750</u>	<u>\$ 45,206,624</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$ 1,848,413
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	9,839,169
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,296,127)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(684,018)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	79,770
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,414,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	39,218
(Increase) decrease in accrued interest from beginning of period to end of period.	(10,716)
The net revenue (expense) of internal service funds is reported with governmental activities.	155,001
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	155,093
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(9,050,000)
Bond premiums are reported in the funds but not in the SOA.	(851,004)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	<u>(617,785)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,021,015</u>

The accompanying notes are an integral part of this statement.

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

## INTERNAL SERVICE FUND

AUGUST 31, 2017

Data Control Codes	Nonmajor Enterprise Fund <u>National Breakfast/Lunch Program</u>	Nonmajor Internal Service Fund <u>Worker's Comp. Insurance Fund</u>
<b>ASSETS:</b>		
Current Assets:		
1110	\$ 1,055,028	\$ 2,273,478
Receivables:		
1240	34,657	--
	<u>1,089,685</u>	<u>2,273,478</u>
Total Current Assets		
Noncurrent Assets:		
Capital Assets:		
1530	979,214	--
1570	(671,506)	--
	<u>307,708</u>	<u>--</u>
1000	<u>1,397,393</u>	<u>2,273,478</u>
Total Assets		
<b>LIABILITIES:</b>		
Current Liabilities:		
2110	\$ 78,939	\$ 9,201
2200	--	133,455
2300	86,962	--
	<u>165,901</u>	<u>142,656</u>
2000	<u>165,901</u>	<u>142,656</u>
Total Liabilities		
<b>NET POSITION:</b>		
3200	307,708	--
3800	923,784	--
3900	--	2,130,822
3000	<u>\$ 1,231,492</u>	<u>\$ 2,130,822</u>
Total Net Position		

The accompanying notes are an integral part of this statement.

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET POSITION - INTERNAL SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Nonmajor Enterprise Fund <u>National Breakfast/Lunch Program</u>	Nonmajor Internal Service Fund <u>Worker's Comp. Insurance Fund</u>
<b>OPERATING REVENUES:</b>		
5700 <i>Local and Intermediate Sources</i>	\$ 1,135,758	\$ 373,637
5800 <i>State Program Revenues</i>	11,754	--
5020 <b>Total Revenues</b>	<u>1,147,512</u>	<u>373,637</u>
<b>OPERATING EXPENSES:</b>		
6100 <i>Payroll Costs</i>	1,060,961	--
6200 <i>Professional and Contracted Services</i>	179,927	43,940
6300 <i>Supplies and Materials</i>	1,233,255	--
6400 <i>Other Operating Costs</i>	55,693	184,983
6030 <b>Total Expenses</b>	<u>2,529,836</u>	<u>228,923</u>
Operating Income (Loss)	<u>(1,382,324)</u>	<u>144,714</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
7952 <i>National School Breakfast Program</i>	214,093	--
7953 <i>National School Lunch Program</i>	886,607	--
7954 <i>USDA Donated Commodities</i>	139,848	--
7955 <i>Earnings from Temp. Deposits and Investments</i>	--	10,287
8030 <b>Total Non-operating Revenues (Expenses)</b>	<u>1,240,548</u>	<u>10,287</u>
1300 <b>Change in Net Position</b>	(141,776)	155,001
0100 <b>Total Net Position - Beginning</b>	1,373,268	1,975,821
3300 <b>Total Net Position - Ending</b>	<u>\$ 1,231,492</u>	<u>\$ 2,130,822</u>

The accompanying notes are an integral part of this statement.

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2017

	<u>Enterprise Funds</u>	
	National Breakfast/Lunch Program	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>		
<i>Cash Received from Customers</i>	\$ 1,135,758	\$ --
<i>Cash Received from Grants</i>	11,754	--
<i>Cash Receipts (Payments) for Quasi-external   Operating Transactions with Other Funds</i>	--	373,637
<i>Cash Payments to Employees for Services</i>	(1,060,961)	--
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(1,283,312)	(288,106)
Net Cash Provided (Used) by Operating Activities	<u>(1,196,761)</u>	<u>85,531</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
<i>Proceeds from Grants</i>	1,240,548	--
<i>Acquisition or Construction of Capital Assets</i>	(156,855)	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>1,083,693</u>	<u>--</u>
<b>Cash Flows from Investing Activities:</b>		
<i>Interest and Dividends on Investments</i>	--	10,287
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>10,287</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(113,068)	95,818
Cash and Cash Equivalents at Beginning of Year	1,168,096	2,177,660
Cash and Cash Equivalents at End of Year	<u>\$ 1,055,028</u>	<u>\$ 2,273,478</u>
<b>Reconciliation of Operating Income to Net Cash   Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ (1,382,324)	\$ 144,714
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
<i>Depreciation</i>	44,316	--
<i>Provision for Uncollectible Accounts</i>	--	--
Change in Assets and Liabilities:		
<i>Decrease (Increase) in Receivables</i>	12,510	--
<i>Increase (Decrease) in Accounts Payable</i>	47,400	(43,147)
<i>Increase (Decrease) in Accrued Expenses</i>	--	(16,036)
<i>Increase (Decrease) in Unearned Revenue</i>	81,337	--
Total Adjustments	<u>185,563</u>	<u>(59,183)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,196,761)</u>	<u>\$ 85,531</u>

The accompanying notes are an integral part of this statement.

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 AUGUST 31, 2017

Data Control Codes	Agency Fund	Student Activity
<b>ASSETS:</b>		
1110		220,250
		<u>220,250</u>
1000		<u>220,250</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2190		220,250
		<u>220,250</u>
2000		<u>220,250</u>
<b>NET POSITION:</b>		
3000		<u><u>    --</u></u>

The accompanying notes are an integral part of this statement.

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**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

Capital Projects Fund: The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

The District reports the following major enterprise funds:

Food Service Fund: This fund is used to account for child nutrition service operations financed from the NSLP program and user charges.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

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

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	10
Equipment	10

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

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

Except for delinquent taxes, there are no significant receivables which are not scheduled for collection within one year of year end.

g. Interfund Activity

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

h. Use of Estimates

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

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

**Assigned Fund Balance** - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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

4. Pensions

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

At August 31, 2017, the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	7,323,251

5. New Accounting Standards Adopted

In fiscal year 2017, the District adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- Statement No. 77, *Tax Abatement Disclosures*
- Statement No. 80, *Blending Requirements for Certain Component Units*
- Statement No. 82, *Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73*

- a. Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

- b. The requirements of GASB Statement No. 77 improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The note disclosures have been updated for the affects the adoption of GASB Statement No. 77.

- c. GASB Statement No. 80 clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

- d. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

**2. Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**C. Deposits and Investments**

**Legal and Contractual Provisions Governing Deposits and Investments**

The Public Funds Investment Act (Texas 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 (9) and 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, (10) and 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.

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

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

1. Cash Deposits:

At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was 12,319,561 and the bank balance was 13,114,796. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

As of August 31, 2017, the District had the following investments and maturities:

Investment Type	Investment Maturities (In Years)			
	Fair Value	Less than 1	1 to 2	2 to 3
Investment Pools:				
Investment in TexPool	3,979,732	3,979,732	--	--
Investment in Lone Star Pool	37,295,603	37,295,603	--	--
Total Fair Value	<u>\$ 41,275,335</u>	<u>\$ 41,275,335</u>	<u>\$ --</u>	<u>\$ --</u>

Interest Rate Risk - In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk - In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The District's investments in investment pools were rated AAA.

Concentration of Credit Risk - The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a custodial credit risk.

The local government investment pools such as TexPool and Lone Star Pool are not evidenced by securities in physical form. They are managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pools both seek to maintain a \$1 value per share as required by the Texas Public Funds Investment Act.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

position in TexPool is the same as the value of TexPool shares.

Lone Star Investment Pool is administered by FIRST Public. The fair value of the funds in Lone Star is also the same as the value of Lone Star shares.

Limitations exist for withdrawals in this way: ACH (Automated Clearing House) withdrawals from Lone Star or TexPool are restricted to the account designated by the direct deposit form currently on record. The current authorized direct deposit form designates only the District Depository Bank as the entity to use for deposits or withdrawals by ACH. The Superintendent must authorize any new or replacement direct deposit form that would alter or replace the depository bank.

Limitations exist for wire transfers in this way: A Wire Transfer to or from Lone Star or TexPool requires two signatures from authorized representatives in order to be processed.

**D. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,798,625	\$ 1,304,416	\$ --	\$ 3,103,041
Construction in progress	4,104,501	6,493,707	3,443,576	7,154,632
Total capital assets not being depreciated	<u>5,903,126</u>	<u>7,798,123</u>	<u>3,443,576</u>	<u>10,257,673</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	89,450,321	3,644,001	1,225,737	91,868,585
Equipment	2,144,774	1,411,280	--	3,556,054
Vehicles	2,878,049	429,341	158,414	3,148,976
Total capital assets being depreciated	<u>94,473,144</u>	<u>5,484,622</u>	<u>1,384,151</u>	<u>98,573,615</u>
Less accumulated depreciation for:				
Buildings and improvements	(20,335,165)	(1,874,269)	(551,607)	(21,657,827)
Equipment	(942,103)	(198,353)	--	(1,140,456)
Vehicles	(1,327,461)	(223,505)	(148,526)	(1,402,440)
Total accumulated depreciation	<u>(22,604,729)</u>	<u>(2,296,127)</u>	<u>(700,133)</u>	<u>(24,200,723)</u>
Total capital assets being depreciated, net	<u>71,868,415</u>	<u>3,188,495</u>	<u>684,018</u>	<u>74,372,892</u>
Governmental activities capital assets, net	<u>\$ 77,771,541</u>	<u>\$ 10,986,618</u>	<u>\$ 4,127,594</u>	<u>\$ 84,630,565</u>



**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Business-type activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ --	\$ --	\$ --	\$ --
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	--	--	--	--
Equipment	788,478	21,737	--	810,215
Vehicles	33,883	135,118	--	169,001
Total capital assets being depreciated	<u>822,361</u>	<u>156,855</u>	<u>--</u>	<u>979,216</u>
Less accumulated depreciation for:				
Buildings and improvements	--	--	--	--
Equipment	(596,697)	(44,316)	--	(641,013)
Vehicles	(30,495)	--	--	(30,495)
Total accumulated depreciation	<u>(627,192)</u>	<u>(44,316)</u>	<u>--</u>	<u>(671,508)</u>
Total capital assets being depreciated, net	<u>195,169</u>	<u>112,539</u>	<u>--</u>	<u>307,708</u>
Business-type activities capital assets, net	<u>\$ 195,169</u>	<u>\$ 112,539</u>	<u>\$ --</u>	<u>\$ 307,708</u>

Depreciation was charged to functions as follows:

<i>Governmental Activities:</i>	
Instruction	\$ 1,354,712
Instructional Resources and Media Services	96,349
Curriculum and Staff Development	15,267
Instructional Leadership	44,448
School Leadership	154,467
Guidance, Counseling, & Evaluation Services	81,453
Health Services	31,483
Student Transportation	36,335
Food Services	3,072
Extracurricular Activities	73,294
General Administration	96,293
Plant Maintenance and Operations	300,389
Security and Monitoring Services	7,657
Data Processing Services	408
Community Services	500
	<u>\$ 2,296,127</u>
<i>Business-type Activities:</i>	
Food Services	\$ 44,316
	<u>\$ 44,316</u>

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E. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Capital Projects Fund	\$ 13,842	Expenditures reimbursement
Other Governmental Funds	General Fund	33,216	Short-term loans
	Total	<u>\$ 47,058</u>	

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

2. Transfers To and From Other Funds

There were no transfers to and from other funds at August 31, 2017.

F. Long-Term Obligations

1. Long-Term Obligation Activity

On December 27, 2016, the district issued \$9,050,000 Unlimited Tax School Building Bonds, Series 2016 in part as serial bonds and part as term bonds with interest rates varying from 3.00% and 4.25%. The bonds will be used to construct, design, acquire and equip school facilities in the District, purchase necessary sites for school facilities, purchase of new school buses and pay for professional services related to the costs of issuance of the bonds. The bonds are secured by a levy of an annual ad valorem tax and is payable over a period of 26 years. Payments will be made semi-annually on February 15 and August 15, with the first payment due August 15, 2017 and the final payment due February 15, 2042. Bonds maturing on or after February 15, 2027 are subject to optional redemption prior to their scheduled maturities at the option of the District, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2026 or any date thereafter at the redemption price of par plus accrued but unpaid interest to such redemption date. The term bonds are also subject to mandatory sinking fund redemption prior to stated maturity.

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

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Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/16	Issued	Retired	Amounts Outstanding 8/31/17	Amounts Due Within One Year
Public Property Finance Contractual Obligations							
Series 2012	1.79%	2,864,000	1,782,000	--	284,000	1,498,000	289,000
Unlimited Tax Refunding Bonds							
Series 2013	4.00%	13,050,000	9,085,000	--	2,130,000	6,955,000	2,220,000
Unlimited Tax Refunding Bonds							
Series 2013	3.50%	6,565,000	6,565,000	--	--	6,565,000	--
Unlimited Tax School Building Bonds	3.00% to 4.00%						
Series 2013		22,805,000	22,805,000	--	--	22,805,000	--
Unlimited Tax School Building Bonds	3.25% to 5.00%						
Series 2015		11,710,000	11,710,000	--	--	11,710,000	--
Unlimited Tax School Building Bonds	3.00% to 4.25%						
Series 2016		9,050,000	--	9,050,000	--	9,050,000	--
Subtotals			<u>51,947,000</u>	<u>9,050,000</u>	<u>2,414,000</u>	<u>58,583,000</u>	<u>2,509,000</u>
Bond Premiums			<u>2,819,837</u>	<u>851,004</u>	<u>347,040</u>	<u>3,323,801</u>	<u>358,092</u>
Total Bonds			<u>54,766,837</u>	<u>9,901,004</u>	<u>2,761,040</u>	<u>61,906,801</u>	<u>2,867,092</u>
Other Liabilities:							
Capital Leases			39,218	--	39,218	--	--
Net Pension Liability			6,728,937	1,210,052	615,738	7,323,251	--
Total Governmental Activities			<u>\$ 61,534,992</u>	<u>\$ 11,111,056</u>	<u>\$ 3,415,996</u>	<u>\$ 69,230,052</u>	<u>\$ 2,867,092</u>

The Debt Service Fund makes the debt payments for the Unlimited Tax Bonds and the General Fund pays the debt for the Contractual Obligation Bonds.

2. Debt Service Requirements

Debt service requirements on long-term debt for bonds payable by the Debt Service fund at August 31, 2017, are as follows:

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Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 2,509,000	2,103,896	\$ 4,612,896
2019	2,604,000	2,008,079	4,612,079
2020	2,725,000	1,908,062	4,633,062
2021	2,745,000	1,841,748	4,586,748
2022	2,830,000	1,756,343	4,586,343
2023-2027	13,995,000	7,347,419	21,342,419
2028-2032	16,630,000	4,714,981	21,344,981
2033-2037	8,330,000	2,191,400	10,521,400
2037-2042	6,215,000	658,750	6,873,750
Totals	\$ 58,583,000	\$ 24,530,678	\$ 83,113,678

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

There were no defeased bonds outstanding at August 31, 2017.

**Authorized But Not Issued Debt**

The District has \$96,250,000 in Unlimited Tax School Building Bonds authorized but unissued. The District plans to issue these bonds in fiscal years 2018 and thereafter to construct, design, acquire and equip school facilities in the District, purchase necessary sites for school facilities, and purchase new school buses.

**G. Risk Management**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**Unemployment Compensation**

During the year ended August 31, 2017, Gregory-Portland ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct an independent financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

**Worker's Compensation**

The District has established the Worker's Compensation Internal Service Fund to account for and finance workers compensation claims. It is a modified self-insurance plan, known as SchoolComp. The Plan year began

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September 1, 2016 and ended September 1, 2017. The District's maximum financial exposure for the plan year is \$292,928. Any costs above \$292,928 for the 2016-2017 plan year are the shared responsibility of the remaining School Comp members. The District's self-insured retention per occurrence is \$93,398.

Costs for any one claim above the self-insured retention are the shared responsibility of the remaining SchoolComp members. Excess insurance is provided by Safety National Casualty Corporation and admitted carrier. The policy provides for specific stop-loss attachment at \$350,000 per occurrence and aggregate stop-loss attachment at \$8,455,917. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the District participate in the program and make payments to the fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for losses relating to catastrophes. That reserve was \$2,130,821 at 8/31/17 and is reported as net position in the Workers' Compensation Internal Service Fund. The claims liability of \$133,455 reported in the fund at 8/31/17, is based on the requirements of Governmental Accounting Standards Board 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the balances of claims liabilities during the past two years are:

	Year Ended 08/31/17	Year Ended 08/31/16
Unpaid claims, beginning of year	\$ 149,491	\$ 127,566
Current year claims and changes in estimate	120,140	174,863
Claim payments	(136,176)	(152,938)
Unpaid claims, end of year	<u>\$ 133,455</u>	<u>\$ 149,491</u>

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the

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sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

4. Contributions

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

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

	<u>Contribution Rates</u>	
	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 671,884	
District's 2017 Member Contributions	\$ 2,031,943	
NECE 2016 On-Behalf Contributions to District	\$ 1,396,078	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute

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to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

5. Actuarial Assumptions

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

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

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

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

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 11,333,926	\$ 7,323,251	\$ 3,921,388

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

At August 31, 2017, the District reported a liability of \$7,323,251 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:



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District's proportionate share of the collective net pension liability	\$ 7,323,251
State's proportionate share that is associated with District	<u>16,571,226</u>
Total	<u>\$ 23,894,477</u>

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

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0193796%. which was an increase (decrease) of 0.0003437% from its proportion measured as of August 31, 2015.

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$1,719,698 and revenue of \$1,719,698 for support provided by the State.

At August 31, 2017, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 114,827	\$ 218,668
Changes in actuarial assumptions	223,200	202,991
Difference between projected and actual investment earnings	620,118	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,026,251	490
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>671,884</u>	<u>--</u>
Total	<u>\$ 3,656,280</u>	<u>\$ 422,149</u>

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

Year Ended August 31	Pension Expense Amount
2018	\$ 457,878
2019	\$ 457,878
2020	\$ 853,419
2021	\$ 427,484
2022	\$ 301,646
Thereafter	\$ 63,942

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I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2017, 2016 and 2015. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$263,889, \$246,375, and \$226,781, respectively, the active member contributions were \$171,528, \$160,145, and \$147,408, respectively, and the District's contributions were \$145,139, \$135,506, and \$124,729, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$83,125, \$99,701, and \$95,988, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2017, and terms of coverage and premium costs are included in the contractual provisions.

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

**K. Commitments and Contingencies**

**1. Contingencies**

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

**2. Litigation**

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

**L. Unearned Revenue**

Unearned revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Food Service Enterprise Fund</u>
State Entitlements	\$ --	\$ 1,780	\$ 1,780	\$ --
Federal Grant Programs	--	--	--	86,962
Other	308,298	45	308,343	--
<b>Total Unearned Revenue.</b>	<b>\$ 308,298</b>	<b>\$ 1,825</b>	<b>\$ 310,123</b>	<b>\$ 86,962</b>

**M. Due From Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2017, as reported on the combined financial statements as Due from Other Governments and are summarized below:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ 499,079	\$ --	\$ --	\$ 499,079
Other Governmental Funds	--	162,937	--	162,937
<b>Total Governmental Funds</b>	<b>\$ 499,079</b>	<b>\$ 162,937</b>	<b>\$ --</b>	<b>\$ 662,016</b>
Enterprise Fund	--	34,657	--	34,657
<b>Total</b>	<b>\$ 499,079</b>	<b>\$ 197,594</b>	<b>\$ --</b>	<b>\$ 696,673</b>

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N. Fund Balances

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2017:

General Fund

Nonspendable:		
Inventories	\$	7,686
Prepaid Items		80,632
		<u>88,318</u>
Assigned:		
Litigation and Tax Settlements		2,390,000
Insurance deductible		1,500,000
Claims and judgments		500,000
Encumbrances		510,776
Construction		17,625,000
		<u>22,525,776</u>
Unassigned:		<u>7,695,130</u>
Total General Fund fund balance		<u>30,309,224</u>

Capital Projects Fund

Restricted		
Construction		<u>12,641,650</u>

Other Governmental Funds

Restricted:		
State Textbook Fund		6,503
Math Achievement Academy		3,208
Spectra Energy Foundation		955
OxyChem Corp		5,500
Lowe's		11
Cheniere LNG		9,870
Retirement of Long-term debt		2,084,028
		<u>2,110,075</u>
Assigned:		
Campus Activity		<u>145,675</u>
Total Other Governmental Fund fund balance		<u>2,255,750</u>
Total Governmental fund balance	\$	<u><u>45,206,624</u></u>

O. Tax Abatement Agreements

The Gregory-Portland ISD Board of Trustees has approved agreements with various companies for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

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

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

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

Below is the abatement information that is required by GASB Statement No. 77 for M&O purposes. It includes the net benefit to the District but does not include any I&S impact.

	< A >	< B >	< C >	< D >	< E >	< F >	< G >
	Project Value 2016	Project's Value Limitation Amount 2016	Amount of Applicant's M&O Taxes Paid 2016	Amount of Applicant's M&O Taxes Reduced 2016	Company Revenue Loss Payment to School District 2016	Company Supplemental Payment to School District 2016	Net Benefit (Loss) to the School District 2016 (C+E+F)
Project							
1.	\$72,450,000	\$20,000,000	\$234,000	\$613,665	--	\$299,953	\$533,953
2.	\$337,034,260	\$30,000,000	\$351,000	\$3,592,301	--	\$1,257,305	\$1,608,305
3.	\$139,124,090	\$20,000,000	\$234,000	\$1,393,752	\$1,201,449	\$57,691	\$1,493,140
4.	--	N/A	--	--	--	--	--
5.	--	N/A	--	--	--	--	--
6.	--	N/A	--	--	--	--	--
7.	--	N/A	--	--	--	--	--

Project Description

1. EC&R Papalote Creek Wind Farm II (Application #164), First Year Value Limitation: 2012
2. Voestalpine Texas, LLP (Application #299), First Year Value Limitation: 2016

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

3. TPCO Steel Pipe Mill (Application #186), First Year Value Limitation: 2014
4. Apex Midway Wind, LLC (Application #1,091), First Year Value Limitation: 2017
5. Corpus Christi Liquefaction Train 1 (Application #296), First Year Value Limitation: 2018
6. Corpus Christi Liquefaction Train 2 (Application #297), First Year Value Limitation: 2018
7. Corpus Christi Liquefaction Train 3 (Application #298), First Year Value Limitation: 2023

P. Construction Commitments

The District has several construction projects in various stages of development:

- \* Replacement school for Andrews Elementary
- \* Expansion for Academic Wing of Gregory-Portland High School
- \* Career and Technology Center at Gregory-Portland High School
- \* New Middle School which replaces and combines Gregory-Portland Junior High and Intermediate Schools

Each of these projects are part of voter approved Bond Issues that are being managed by the District's administrative staff with support from architects, construction managers, legal counsel, and other related service providers. The school board is providing the oversight required by law and board policy. Any additional information may be requested from the Office of the Chief Financial Officer at (361) 777-1091.

Q. Subsequent Events

On December 11, 2017 the board approved an Order Authorizing the Issuance of Gregory-Portland Independent School District Unlimited Tax School Building Bonds, Series 2018; Levying a Tax and Providing for the Security and Payment Thereof; and Enacting Other Provisions Relating Thereto. The sale closed on January 9, 2018 for \$30,425,000 Unlimited Tax School Building Bonds Series 2018. The bond proceeds will be used for construction of a new elementary school, furniture, fixtures, equipment, High School addition, planning for a new middle school, technology, and school buses.

R. Restatement of Net Position

During the year, management determined beginning Government-wide net position was understated due to an understatement in capital assets. Government-wide net position has been restated as follows:

	Government - wide Net Position
Beginning equity, as originally stated	\$ 65,221,074
Restatement for understated Capital Assets	<u>634,511</u>
Beginning equity, as restated	<u>\$ 65,855,585</u>

### *Required Supplementary Information*

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

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**

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

EXHIBIT G-1  
 Page 1 of 2

Data Control Codes		1		2		3		Variance with Final Budget Positive (Negative)
		Budgeted Amounts						
		Original	Final	Actual				
<b>REVENUES:</b>								
5700	Local and Intermediate Sources	\$ 21,175,853	\$ 21,175,853	\$ 23,879,680	\$ 2,703,827			
5800	State Program Revenues	16,689,846	16,689,846	16,097,987	(591,859)			
5900	Federal Program Revenues	149,000	149,000	255,740	106,740			
5020	Total Revenues	<u>38,014,699</u>	<u>38,014,699</u>	<u>40,233,407</u>	<u>2,218,708</u>			
<b>EXPENDITURES:</b>								
Current:								
Instruction & Instructional Related Services:								
0011	Instruction	21,486,043	21,631,621	21,599,696	31,925			
0012	Instructional Resources and Media Services	1,323,192	1,954,126	1,952,435	1,691			
0013	Curriculum and Staff Development	271,642	337,028	239,526	97,502			
	Total Instruction & Instr. Related Services	<u>23,080,877</u>	<u>23,922,775</u>	<u>23,791,657</u>	<u>131,118</u>			
Instructional and School Leadership:								
0021	Instructional Leadership	637,953	720,774	681,094	39,680			
0023	School Leadership	2,651,495	2,650,561	2,517,890	132,671			
	Total Instructional & School Leadership	<u>3,289,448</u>	<u>3,371,335</u>	<u>3,198,984</u>	<u>172,351</u>			
Support Services - Student (Pupil):								
0031	Guidance, Counseling and Evaluation Services	1,294,941	1,293,190	1,194,336	98,854			
0033	Health Services	636,635	614,932	439,049	175,883			
0034	Student (Pupil) Transportation	817,128	817,128	649,545	167,583			
0036	Cocurricular/Extracurricular Activities	1,177,063	1,179,938	1,084,853	95,085			
	Total Support Services - Student (Pupil)	<u>3,925,767</u>	<u>3,905,187</u>	<u>3,367,783</u>	<u>537,404</u>			
Administrative Support Services:								
0041	General Administration	1,969,069	2,087,224	1,696,185	391,039			
	Total Administrative Support Services	<u>1,969,069</u>	<u>2,087,224</u>	<u>1,696,185</u>	<u>391,039</u>			
Support Services - Nonstudent Based:								
0051	Plant Maintenance and Operations	5,438,236	5,644,803	5,642,749	2,054			
0052	Security and Monitoring Services	169,370	169,370	133,290	36,080			
0053	Data Processing Services	20,000	20,000	7,230	12,770			
	Total Support Services - Nonstudent Based	<u>5,627,606</u>	<u>5,834,173</u>	<u>5,783,269</u>	<u>50,904</u>			
Ancillary Services:								
0061	Community Services	--	120	--	120			
	Total Ancillary Services	<u>--</u>	<u>120</u>	<u>--</u>	<u>120</u>			
Debt Service:								
0071	Principal on Long-Term Debt	279,000	323,300	323,218	82			
0072	Interest on Long-Term Debt	39,000	30,100	29,470	630			
	Total Debt Service	<u>318,000</u>	<u>353,400</u>	<u>352,688</u>	<u>712</u>			
Capital Outlay:								
0081	Capital Outlay	--	55,751	6,920	48,831			
	Total Capital Outlay	<u>--</u>	<u>55,751</u>	<u>6,920</u>	<u>48,831</u>			
0099	Other Intergovernmental Charges	424,000	439,000	438,334	666			
	Total Intergovernmental Charges	<u>424,000</u>	<u>439,000</u>	<u>438,334</u>	<u>666</u>			
6030	Total Expenditures	<u>38,634,767</u>	<u>39,968,965</u>	<u>38,635,820</u>	<u>1,333,145</u>			



**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

Page 2 of 2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(620,068)	(1,954,266)	1,597,587	3,551,853
EXTRAORDINARY ITEM:					
8913	Extraordinary Item (Use) - Hurricane Harvey	--	(1,500,000)	(4,002)	1,495,998
1200	Net Change in Fund Balance	(620,068)	(3,454,266)	1,593,585	5,047,851
0100	Fund Balance - Beginning	28,715,639	28,715,639	28,715,639	--
3000	Fund Balance - Ending	\$ 28,095,571	\$ 25,261,373	\$ 30,309,224	\$ 5,047,851

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2017

	Measurement Year Ended August 31,		
	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0193796%	0.0190359%	0.0105472%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 7,323,251	\$ 6,728,937	\$ 2,817,304
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	16,571,226	15,213,710	12,757,955
Total	<u>\$ 23,894,477</u>	<u>\$ 21,942,647</u>	<u>\$ 15,575,259</u>
District's Covered Employee Payroll	\$ 24,637,543	\$ 22,678,134	\$ 21,518,775
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	29.72%	29.67%	13.09%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.00%	78.43%	83.25%

The District will continue to add data until ten years are presented. GASB Statement No. 68 was implemented in fiscal year 2015 and prior year information is not available.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2017

	Fiscal Year Ended August 31,		
	2017	2016	2015
Contractually Required Contribution	\$ 671,884	\$ 618,472	\$ 563,662
Contribution in Relation to the Contractually Required Contribution	(671,884)	(618,472)	(563,662)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 26,388,900	\$ 24,637,543	\$ 22,678,134
Contributions as a percentage of Covered Employee Payroll	2.55%	2.51%	2.49%

The District will continue to add data until ten years are presented. GASB Statement No. 68 was implemented in fiscal year 2015 and prior year information is not available

## **GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2017*

### Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

### Defined Benefit Pension Plan

#### *Changes of benefit terms*

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

#### *Changes of assumptions*

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

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**ENTERPRISE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

EXHIBIT H-1

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>OPERATING REVENUES:</b>					
5700	<i>Local and Intermediate Sources</i>	\$ 1,391,978	\$ 1,391,978	\$ 1,135,758	\$ (256,220)
5800	<i>State Program Revenues</i>	11,000	11,000	11,754	754
5020	Total Revenues	<u>1,402,978</u>	<u>1,402,978</u>	<u>1,147,512</u>	<u>(255,466)</u>
<b>OPERATING EXPENSES:</b>					
0035	<i>Food Service</i>	<u>2,628,168</u>	<u>3,252,158</u>	<u>2,529,836</u>	<u>722,322</u>
6030	Total Expenses	<u>2,628,168</u>	<u>3,252,158</u>	<u>2,529,836</u>	<u>722,322</u>
	Operating Income (Loss)	<u>(1,225,190)</u>	<u>(1,849,180)</u>	<u>(1,382,324)</u>	<u>466,856</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
7952	<i>National School Breakfast Program</i>	229,262	229,262	214,093	(15,169)
7953	<i>National School Lunch Program</i>	841,428	841,428	886,607	45,179
7954	<i>USDA Donated Commodities</i>	--	--	139,848	139,848
7955	<i>Earnings from Temp. Deposits and Investments</i>	<u>154,500</u>	<u>154,500</u>	--	<u>(154,500)</u>
8030	Total Non-operating Revenues (Expenses)	<u>1,225,190</u>	<u>1,225,190</u>	<u>1,240,548</u>	<u>15,358</u>
1300	Change in Net Position	--	(623,990)	(141,776)	482,214
0100	Total Net Position - Beginning	<u>1,373,268</u>	<u>1,373,268</u>	<u>1,373,268</u>	--
3300	Total Net Position - Ending	<u>\$ 1,373,268</u>	<u>\$ 749,278</u>	<u>\$ 1,231,492</u>	<u>\$ 482,214</u>

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### *Other Supplementary Information*

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

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DELINQUENT TAXES RECEIVABLE*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

Year Ended August 31	1		2		3
	Tax Rates				Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service			
2008 and Prior Years	\$ Various	\$ Various			\$ Various
2009	1.17	.19			1,135,213,714
2010	1.17	.19			1,156,862,116
2011	1.17	.20			1,090,810,194
2012	1.17	.20			1,034,995,666
2013	1.17	.18			1,072,620,402
2014	1.17	.18			1,244,177,778
2015	1.17	.18			1,347,522,592
2016	1.12	.18			1,589,550,923
2017 (School Year Under Audit)	1.17	.18			1,755,413,629
1000 Totals					



10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 157,035	\$ --	\$ 1,876	\$ 328	\$ (8,766)	\$ 146,065
20,173	--	50	15	515	20,623
30,421	--	355	58	311	30,319
29,523	--	928	151	(20)	28,424
30,424	--	18,662	3,190	22,780	31,352
38,915	--	20,439	3,494	22,736	37,718
59,008	--	22,630	3,482	38,656	71,552
126,750	--	74,101	11,400	93,655	134,904
319,569	--	184,974	28,457	64,764	170,902
--	23,698,084	19,569,365	3,829,221	--	299,498
<u>\$ 811,818</u>	<u>\$ 23,698,084</u>	<u>\$ 19,893,380</u>	<u>\$ 3,879,796</u>	<u>\$ 234,631</u>	<u>\$ 971,357</u>

Levies and Collections

Fiscal Year End	Levy Year	Adjusted Tax Levy	Current Collections	Percent of Levy
08/31/08	2007	13,796,567	13,439,332	97.41%
08/31/09	2008	14,803,546	14,401,197	97.28%
08/31/10	2009	15,109,246	14,764,585	97.72%
08/31/11	2010	15,131,139	14,828,259	98.00%
08/31/12	2011	15,463,629	15,238,841	98.55%
08/31/13	2012	14,652,131	14,446,021	98.59%
08/31/14	2013	16,846,506	16,635,832	98.75%
08/31/15	2014	18,191,554	17,900,567	98.40%
08/31/16	2015	20,664,162	20,344,593	98.45%
08/31/17	2016	23,698,084	23,398,586	98.74%

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)**  
**GENERAL FUND**  
**AS OF AUGUST 31, 2017**

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2017 (Exhibit C-1 object 3000 for the General Fund only)	\$ 30,309,224
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	88,318
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	22,525,776
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	7,348,742
8	Estimate of delayed payments from state sources (58XX)	--
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	162,937
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	30,125,773
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 183,451

If Item 13 is a Positive Number

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

Excess will be used to pay for Hurricane Harvey expenses not covered insurance or FEMA reimbursements.

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

EXHIBIT J-3

Data Control Codes				Variance with Final Budget Positive (Negative)
	1	2	3	
	Budgeted Amounts		Actual	
Original	Final			
<b>REVENUES:</b>				
5700	Local and Intermediate Sources			
	\$ 3,909,399	\$ 3,909,399	\$ 3,930,197	\$ 20,798
5800	State Program Revenues			
	--	--	33,445	33,445
5020	Total Revenues			
	<u>3,909,399</u>	<u>3,909,399</u>	<u>3,963,642</u>	<u>54,243</u>
<b>EXPENDITURES:</b>				
Debt Service:				
0071	Principal on Long-Term Debt			
	2,130,000	2,130,000	2,130,000	--
0072	Interest on Long-Term Debt			
	1,819,194	2,064,357	2,064,357	--
0073	Bond Issuance Costs and Fees			
	5,006	5,006	1,600	3,406
	<u>3,954,200</u>	<u>4,199,363</u>	<u>4,195,957</u>	<u>3,406</u>
6030	Total Expenditures			
	<u>3,954,200</u>	<u>4,199,363</u>	<u>4,195,957</u>	<u>3,406</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures			
	<u>(44,801)</u>	<u>(289,964)</u>	<u>(232,315)</u>	<u>57,649</u>
Other Financing Sources (Uses):				
7916	Premium on Issuance of Bonds			
	--	--	221,347	221,347
7080	Total Other Financing Sources and (Uses)			
	<u>--</u>	<u>--</u>	<u>221,347</u>	<u>221,347</u>
1200	Net Change in Fund Balance			
	<u>(44,801)</u>	<u>(289,964)</u>	<u>(10,968)</u>	<u>278,996</u>
0100	Fund Balance - Beginning			
	2,094,996	2,094,996	2,094,996	--
3000	Fund Balance - Ending			
	<u>\$ 2,050,195</u>	<u>\$ 1,805,032</u>	<u>\$ 2,084,028</u>	<u>\$ 278,996</u>

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**Lovvorn & Kieschnick, LLP**  
418 Peoples Street, Ste. 308  
Corpus Christi, TX 78401

Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*

Board of Trustees  
Gregory-Portland Independent School District  
608 College Street  
Portland, Texas 78374

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gregory-Portland Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Gregory-Portland Independent School District's basic financial statements, and have issued our report thereon dated January 15, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX  
January 15, 2018

**Lovvorn & Kieschnick, LLP**  
418 Peoples Street, Ste. 308  
Corpus Christi, TX 78401

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

Board of Trustees  
Gregory-Portland Independent School District  
608 College Street  
Portland, Texas 78374

Members of the Board of Trustees:

**Report on Compliance for Each Major Federal Program**

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

## Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX  
January 15, 2018



**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A - Improving Basic Programs Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Feeding Program

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

Auditee qualified as low-risk auditee?  Yes  No

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No prior findings		

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

<u>Program</u>	<u>Corrective Action Required</u>
N/A	No corrective action required.

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

EXHIBIT K-1

(1)	(2)	(2A)	(3)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Medicaid Administration Claiming Program	93.778	205-902	\$ --	\$ 2,389
Total U. S. Department of Health and Human Services			<u>--</u>	<u>2,389</u>
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010A	1761010120590	--	593,655
IDEA-B Cluster:				
IDEA-B Formula	84.027A	1766000120590	--	826,023
IDEA-B Preschool	84.173A	1766100120590	--	15,144
IDEA-B Discretionary	84.027A	1766000620590	--	109,100
Total IDEA-B Cluster			<u>--</u>	<u>950,267</u>
Career and Technical - Basic Grant	84.048A	1742000620590	--	40,592
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	1769450120590	--	142,526
Total Passed Through State Department of Education			<u>--</u>	<u>1,727,040</u>
Total U. S. Department of Education			<u>--</u>	<u>1,727,040</u>
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	205-902	--	214,092
National School Lunch Program	10.555	205-902	--	886,607
Summer Feeding Program	10.559	205-902	--	20,325
Total Child Nutrition Cluster			<u>--</u>	<u>1,121,025</u>
Commodity Supplemental Food Program	10.565	205-902	--	139,848
Total Passed Through State Department of Education			<u>--</u>	<u>1,260,873</u>
Total U. S. Department of Agriculture			<u>--</u>	<u>1,260,873</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ --</u>	<u>\$ 2,990,302</u>

The accompanying notes are an integral part of this schedule.

**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	\$ 2,003,105
Add: Child Nutrition Program Revenues Reported in Enterprise Fund Exhibit D-2	1,240,548
Less: School Health & Related Services (SHARS) Revenues Reported in General Fund	<u>(253,351)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u>\$ 2,990,302</u>

Note 2: Basis of Presentation

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

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