

**GATESVILLE INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

For the year ended  
**AUGUST 31, 2013**

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2013

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Certificate of Board	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
<b><u>Basic Financial Statements</u></b>	
Government Wide Statements:	
A-1 Statement of Net Position	8
B-1 Statement of Activities	9
Governmental Fund Financial Statements:	
C-1 Balance Sheet – Governmental Funds	10
C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	12
C-4 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	14
E-2 Statement of Changes in Fiduciary Fund Net Position	15
Notes to the Financial Statements	16
<b><u>Other Supplemental Schedules</u></b>	
Other Schedules	
G-1 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	35
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet – Nonmajor Governmental Funds	36
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	39
<b><u>Required TEA Schedules</u></b>	
J-1 Schedule of Delinquent Taxes Receivable	42
J-2 Schedule of Expenditures for Computations of Indirect Cost for 2013-2014	44
J-3 Fund Balance and Cash Flow Calculation Worksheet	45
J-4 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program	46
J-5 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	47
<b><u>Federal Awards Section</u></b>	
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 <i>Government Auditing Standards</i>	48
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	50
Schedule of Findings and Questioned Costs	53
Schedule of Prior Year Findings and Questioned Costs and Corrective Action Plan	55
Schedule of Expenditures of Federal Programs	56
Notes on Accounting Policies for Federal Awards	57

CERTIFICATE OF BOARD

Gatesville Independent School District  
Name of School District

Coryell  
County

050902  
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, 2013 at a meeting of the Board of Trustees of such school district on the 18<sup>th</sup> day of November, 2013.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):  
(attach list as necessary)



**LOTT, VERNON & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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*Member of  
American Institute & Texas Society of  
Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Gatesville Independent School District  
Gatesville, Texas 76528

Members of the Board:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gatesville Independent School District (the District) as of and for the year ended August 31, 2013, 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 entity's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Gatesville Independent School District as of August 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary, combining and individual nonmajor fund financial statements and the required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional



analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The budgetary, combining and individual nonmajor fund financial statements 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 budgetary, combining and individual nonmajor fund financial statements 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 Texas Education Agency requires school districts to include certain information in the Annual Financial Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-2, J-4 and J-5. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. Exhibit J-3, Fund Balance and Cash Flow Calculation Worksheet (marked *UNAUDITED*), 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 November 12, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Killeen, Texas  
November 12, 2013

## **Management's Discussion and Analysis Gatesville Independent School District**

In this section of the Annual Financial and Compliance Report, we, the managers of Gatesville Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2013. Please read it in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements, which begin on page 8.

### **Using this annual report**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 8 and 9). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 10) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 16) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### **Reporting the District as a Whole**

#### ***The Statement of Net Position and the Statement of Activities***

The analysis of the District's overall financial condition and operations begins on page 8. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements begin on page 10 and provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the ESEA, Title I, Part A from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District has only governmental type funds.

Governmental Funds: Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and Statement of Revenues, Expenditures, and Changes in Fund Balance) and governmental funds in reconciliation schedules following each of the fund financial statements.

## **The District as Trustee**

### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position on pages 14 and 15. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities increased from \$32.22 million to \$33.61 million. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, was \$17.7 million at August 31, 2013.

Table I  
Gatesville Independent School District  
Net Position

	<u>2012</u>	<u>2013</u>	<u>% Change</u>
Current and Other Assets	\$ 18,923,747	\$ 19,805,445	4.659%
Capital and Non-current Assets	16,628,768	17,434,274	4.844%
Total Assets	<u>\$ 35,552,515</u>	<u>\$ 37,239,719</u>	4.746%
Current Liabilities	\$ 860,739	\$ 1,880,452	118.469%
Long Term Liabilities	2,475,193	1,714,166	-30.746%
Deferred Inflows of Resources	-	36,382	100.000%
Total Liabilities & Deferred Inflows of Resources	<u>\$ 3,335,932</u>	<u>\$ 3,631,000</u>	8.845%
Net Position			
Invested in Capital Assets net of Related Debt	\$ 14,150,294	\$ 15,623,852	10.414%
Restricted	462,750	329,821	-28.726%
Unrestricted	17,603,539	17,655,046	0.293%
Total Net Position	<u><u>\$ 32,216,583</u></u>	<u><u>\$ 33,608,719</u></u>	4.321%

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance on page 12), reported a combined fund balance of \$17.69 million, which was less than last year's total of \$17.76 million. This \$63.8 thousand decrease in fund balance is \$1.30 million less than the prior year's increase of \$1.24 million, primarily due to a decrease of \$0.82 million in State and Federal program revenues, and an increase of \$0.68 million in capital outlay for facility projects.

Over the course of the year, the Board of Trustees amended the District's budget several times. These amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August of 2012). The second category includes amendments to reallocate funds from functions having favorable variances to functions with budget overruns. The third category was to accommodate capital expenditures for various capital projects throughout the District.

The District's General Fund balance of \$17.1 million reported on pages 12 and 35 differs from the General Fund's budgetary fund balance of \$14.5 million as the District chose primarily to amend the original budget for increases in appropriations between functions.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2013, the District had \$17.4 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The District's fiscal year 2013 major additions included \$1.2 million to turf the football field and make other stadium improvements; and \$0.16 million for campus security upgrades. Additional information about the District's capital assets is presented in Note IV, F (page 29) to the financial statements.

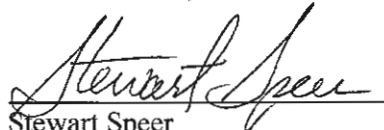
At year-end, the District had \$1.7 million in bonds outstanding versus \$2.5 million last year, a decrease of 47.1 percent. The District's general obligation bond rating continues to carry the highest rating possible, according to national rating agencies. More detailed information about the District's long-term liabilities is presented in Note IV, G (page 30) to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

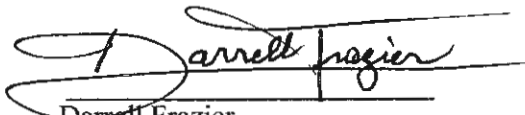
The District's elected and appointed officials considered many factors when setting the fiscal year 2014 budget and tax rates. These factors include the economy, projected enrollment, taxpayer burden, and the possibility of legislative changes.

## 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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's administration office, at Gatesville Independent School District, 311 South Lovers Lane, Gatesville, Texas.



Stewart Speer  
Superintendent



Darrell Frazier  
Business Manager

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2013

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 19,023,304
1220 Property Taxes Receivable (Delinquent)	346,214
1230 Allowance for Uncollectible Taxes	(50,358)
1240 Due from Other Governments	482,065
1290 Other Receivables, net	4,220
Capital Assets:	
1510 Land	583,305
1520 Buildings, Net	14,834,379
1530 Machinery and Equipment, Net	811,399
1580 Construction in Progress	1,205,191
1000 Total Assets	37,239,719
<b>LIABILITIES</b>	
2110 Accounts Payable	1,091,471
2140 Interest Payable	100,551
2160 Accrued Wages Payable	674,202
2200 Accrued Expenses	14,228
Noncurrent Liabilities	
2501 Due Within One Year	920,000
2502 Due in More Than One Year	794,166
2000 Total Liabilities	3,594,618
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2602 Deferred Resources - Other	36,382
2600 Total Deferred Inflows of Resources	36,382
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	15,623,852
3850 Restricted for Debt Service	329,821
3900 Unrestricted	17,655,046
3000 Total Net Position	\$ 33,608,719

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position <u>Primary Gov. Governmental Activities</u>

**Primary Government:**

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 12,062,601	\$ 66,656	\$ 1,079,105	\$ (10,916,840)
12 Instructional Resources and Media Services	442,593	-	20,172	(422,421)
13 Curriculum and Staff Development	246,844	-	65,081	(181,763)
21 Instructional Leadership	59,924	-	3,500	(56,424)
23 School Leadership	1,191,244	-	109,742	(1,081,502)
31 Guidance, Counseling and Evaluation Services	577,548	-	42,920	(534,628)
32 Social Work Services	26,396	-	-	(26,396)
33 Health Services	227,936	-	12,634	(215,302)
34 Student (Pupil) Transportation	828,391	89,643	26,004	(712,744)
35 Food Services	1,587,247	432,047	839,157	(316,043)
36 Extracurricular Activities	1,143,148	302,161	23,564	(817,423)
41 General Administration	673,448	3,091	33,802	(636,555)
51 Facilities Maintenance and Operations	2,022,580	104,596	49,581	(1,868,403)
52 Security and Monitoring Services	43,042	-	407	(42,635)
53 Data Processing Services	321,127	-	9,987	(311,140)
72 Debt Service - Interest on Long Term Debt	230,931	-	-	(230,931)
73 Debt Service - Bond Issuance Cost and Fees	1,000	-	-	(1,000)
93 Payments related to Shared Services Arrangements	384,125	-	-	(384,125)
99 Other Intergovernmental Charges	124,550	-	-	(124,550)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 22,194,675</b>	<b>\$ 998,194</b>	<b>\$ 2,315,656</b>	<b>(18,880,825)</b>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		6,135,902
DT	Property Taxes, Levied for Debt Service		519,210
GC	Grants and Contributions not Restricted		13,471,080
IE	Investment Earnings		49,369
MI	Miscellaneous Local and Intermediate Revenue		97,400
TR	Total General Revenues		20,272,961
CN	Change in Net Position		1,392,136
NB	Net Position - Beginning		32,216,583
NE	Net Position--Ending		\$ 33,608,719

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2013

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 18,367,237	\$ 656,067	\$ 19,023,304
1220 Property Taxes - Delinquent	319,383	26,831	346,214
1230 Allowance for Uncollectible Taxes (Credit)	(46,442)	(3,916)	(50,358)
1240 Receivables from Other Governments	461,079	20,986	482,065
1260 Due from Other Funds	1,006	-	1,006
1290 Other Receivables	3,484	736	4,220
1000 Total Assets	<u>\$ 19,105,747</u>	<u>\$ 700,704</u>	<u>\$ 19,806,451</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 1,046,499	\$ 44,972	\$ 1,091,471
2160 Accrued Wages Payable	636,230	37,972	674,202
2170 Due to Other Funds	-	1,006	1,006
2200 Accrued Expenditures	12,474	1,754	14,228
2000 Total Liabilities	<u>1,695,203</u>	<u>85,704</u>	<u>1,780,907</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	272,941	22,914	295,855
2602 Deferred Resources - Other	-	36,382	36,382
2600 Total Deferred Inflows of Resources	<u>272,941</u>	<u>59,296</u>	<u>332,237</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	404,177	404,177
3490 Other Restricted Fund Balance	54,707	11,879	66,586
Committed Fund Balance:			
3510 Construction	2,500,000	-	2,500,000
3545 Other Committed Fund Balance	2,000,000	-	2,000,000
Assigned Fund Balance:			
3550 Construction	3,000,000	-	3,000,000
3590 Other Assigned Fund Balance	-	139,648	139,648
3600 Unassigned Fund Balance	9,582,896	-	9,582,896
3000 Total Fund Balances	<u>17,137,603</u>	<u>555,704</u>	<u>17,693,307</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 19,105,747</u>	<u>\$ 700,704</u>	<u>\$ 19,806,451</u>

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



GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 AUGUST 31, 2013

<b>Total Fund Balances - Governmental Funds</b>	\$	17,693,307
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$34,558,485 and the accumulated depreciation was \$17,929,717. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position. (See page 21)		14,153,575
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2013 capital outlays and debt principal payments is to increase net position. (See page 22)		2,497,677
<b>3</b> The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. (See page 29)		(812,876)
<b>4</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include disposal of capital assets, recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		77,036
<b>19 Net Position of Governmental Activities</b>	\$	33,608,719

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 6,734,185	\$ 1,080,867	\$ 7,815,052
5800 State Program Revenues	13,785,101	500,543	14,285,644
5900 Federal Program Revenues	231,658	1,269,434	1,501,092
5020 Total Revenues	<u>20,750,944</u>	<u>2,850,844</u>	<u>23,601,788</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	11,097,065	491,502	11,588,567
0012 Instructional Resources and Media Services	388,622	3,009	391,631
0013 Curriculum and Instructional Staff Development	186,741	58,677	245,418
0021 Instructional Leadership	59,924	-	59,924
0023 School Leadership	1,132,466	55,208	1,187,674
0031 Guidance, Counseling and Evaluation Services	560,736	16,122	576,858
0032 Social Work Services	26,154	242	26,396
0033 Health Services	227,350	-	227,350
0034 Student (Pupil) Transportation	853,382	-	853,382
0035 Food Services	63,571	1,508,944	1,572,515
0036 Extracurricular Activities	931,495	119,639	1,051,134
0041 General Administration	646,963	9,983	656,946
0051 Facilities Maintenance and Operations	2,020,029	-	2,020,029
0052 Security and Monitoring Services	43,042	-	43,042
0053 Data Processing Services	359,608	-	359,608
<b>Debt Service:</b>			
0071 Principal on Long Term Debt	-	875,000	875,000
0072 Interest on Long Term Debt	-	19,688	19,688
0073 Bond Issuance Cost and Fees	-	1,000	1,000
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	1,403,396	-	1,403,396
<b>Intergovernmental:</b>			
0093 Payments to Fiscal Agent/Member Districts of SSA	384,125	-	384,125
0099 Other Intergovernmental Charges	124,550	-	124,550
6030 Total Expenditures	<u>20,509,219</u>	<u>3,159,014</u>	<u>23,668,233</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>241,725</u>	<u>(308,170)</u>	<u>(66,445)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7912 Sale of Real and Personal Property	2,680	-	2,680
7915 Transfers In	-	274,860	274,860
8911 Transfers Out (Use)	(274,860)	-	(274,860)
7080 Total Other Financing Sources (Uses)	<u>(272,180)</u>	<u>274,860</u>	<u>2,680</u>
1200 Net Change in Fund Balances	(30,455)	(33,310)	(63,765)
0100 Fund Balance - September 1 (Beginning)	<u>17,168,058</u>	<u>589,014</u>	<u>17,757,072</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 17,137,603</u>	<u>\$ 555,704</u>	<u>\$ 17,693,307</u>

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(63,765)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2013 capital outlays and debt principal payments is to increase net position. (See page 22)		2,497,677
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. (See page 29)		(812,876)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include disposal of capital assets, recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(228,900)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>1,392,136</b>

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2013

EXHIBITE-1

	836 Scholarship Fund	Student Activity Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 235,701
Restricted Assets	359,910	-
Total Assets	359,910	\$ 235,701
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 235,701
Total Liabilities	-	\$ 235,701
<b>NET POSITION</b>		
Unrestricted Net Assets	359,910	
Total Net Position	\$ 359,910	

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

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

	836 Scholarship Fund
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 66,498
Total Additions	<u>66,498</u>
<b>DEDUCTIONS:</b>	
Other Operating Costs	<u>83,700</u>
Total Deductions	<u>83,700</u>
Change in Net Position	(17,202)
Total Net Position - September 1 (Beginning)	<u>377,112</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 359,910</u></u>

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



## GATESVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2013

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. REPORTING ENTITY**

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

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Gatesville Independent School District nonfiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. The fund activity is segregated into the following categories invested in capital assets net of related debt, restricted net position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some of the governmental funds major and reports their financial condition and results of operations in a separate column.

## C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use *the current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. Revenue is considered *available* when it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, user fees, and interest associated with the current fiscal period are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The District reports the following major governmental fund:

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

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a *Special Revenue Fund*, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Fiduciary Funds:

3. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District’s Private Purpose Trust fund is the Scholarship fund.
4. **Agency Fund** – The District accounts for resources held for others in a custodial capacity in agency funds. The District’s agency fund is Student Activities.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

## **D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY**

### **1. *Deposits and Investments***

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer’s Investment Pool.

Investments for the government are reported at fair value. The State Treasurer’s Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

### **2. *Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due/to from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business –type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable government funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property taxes receivable are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 15% of outstanding property taxes at August 31, 2013.

Property taxes are levied as of October 1 on property values assessed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of tax bill and are delinquent if not paid before February 1 of the following year. On January 31 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed.

### **3. *Capital Assets***

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building & Improvements	39
Portable Buildings	39
Vehicles	7
Furniture & Equipment	3-7

4. ***Restricted Assets***

Certain assets of the Scholarship Fund are classified as restricted net position because their use is restricted by applicable contract covenants. As of August 31, 2013, the amount of \$359,910 is restricted for this purpose.

5. ***Long Term Obligations***

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums and discounts. Bond issuance costs are reported as deferred and amortized over the term of the related debt.

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

6. ***Fund Equity***

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are constrained for specific purposes by providers such as grantors, bond holders, or higher levels of government. Committed fund balances are constrained to specific purposes by the Board. Assigned fund balances are amounts the District intends to use for specific purposes as expressed by the Board or authorized administrators.

7. ***Data Control Codes***

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (“TEA”) in the ***Financial Accountability System Resource Guide***. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

8. ***Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as

late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2013 will change.

9. ***Fund Balance Classifications***

The difference between assets and liabilities in the governmental fund balance sheets shall be organized into the following classifications:

Nonspendable – Not in a spendable form, such as inventory, or required to be maintained intact such as the principal of a permanent fund.

Restricted – Resources that are subject to constraints that are either imposed by law through constitutional provisions or enabling legislation, or externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed – Amounts that can only be used for specific purposes determined by formal approval of the Board. These amounts shall not be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it used to commit the amounts.

Assigned – Amounts that the District intends to use for a specific purpose and are neither restricted nor committed. The intent to assign amounts for a specific purpose shall be expressed by either the Board or the Superintendent.

Unassigned – The residual classification for the general fund balance, including amounts that are not contained in the other classifications. Unassigned amounts are the portion of fund balance that is not obligated or specifically designated and is available for any purpose.

10. ***Use of Restricted, Committed, Assigned, and Unassigned Assets***

When the District incurs an expense for which it may use either restricted, committed, assigned, or unassigned assets, the District shall reduce restricted, committed, and assigned assets first, in that order, unless unassigned assets would have to be returned because they were not used.

11. ***Minimum Fund Balance***

The unassigned fund balance of the general fund shall not be less than two months of the projected budgeted expenditures for the current year.



**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land & Improvements	\$ 583,305	\$ -	\$ 583,305	
Buildings	30,436,161	15,163,667	15,272,494	
Machinery & Equipment	3,539,019	2,766,050	772,969	
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	
Change in Net Position				<u>\$ 16,628,768</u>
			<u>Payable at the Beginning of the Year</u>	
Long-term Liabilities at the Beginning of the Year			\$ (2,710,000)	
Bonds Payable			234,807	
Less: Accreted Interest				<u>(2,475,193)</u>
Change in Net Position				
Net Adjustment to Net Position				<u>\$ 14,153,575</u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
<u>Current Year Capital Outlay</u>			
Land	\$ -		
Buildings & Improvements	162,761		
Construction in Progress	1,205,191		
Machinery & Equipment	254,725		
Total Capital Outlay	<u>1,622,677</u>	<u>1,622,677</u>	<u>1,622,677</u>
<u>Debt Principal Payment</u>			
Bond Principal	875,000		
Total Principal Payments	<u>875,000</u>	<u>875,000</u>	<u>875,000</u>
Total Adjustment to Net Position		<u>\$ 2,497,677</u>	<u>\$ 2,497,677</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>		
Adjustments required for tax revenues for prior and current years collections adjusted for full accrual.	\$ (13,362)	\$ (13,362)
<u>Reclassifications related to Bonds</u>		
Accreted Interest	(113,973)	(113,973)
<u>Adjustments to Expenditures and Accrued Liabilities</u>		
Bond Interest Accrual Adjustment	(97,270)	(97,270)
Adjustments of Other Sources and Revenues for Sale of Assets	(4,295)	(4,295)
Total	<u>\$ (228,900)</u>	<u>\$ (228,900)</u>

### **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G1 and the other two reports are in Exhibits J4 and J5.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year to fund positions that were filled during the year and other unanticipated costs.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

August 31, 2013	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ -
Non-appropriated Budget Funds	151,527
All Special Revenue Funds	151,527

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the fiscal year ended August 31, 2013, the district did not have excess of expenditures over appropriation at the functional level.

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledged approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2013, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$18,947,647 and the bank balance was \$19,067,000. The District's cash deposits during the year ended August 31, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

**Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s policy regarding types of deposits allowed and collateral requirements are mentioned in the previous paragraphs. As noted above, the District is not exposed to custodial credit risk due to deposits being covered by FDIC insurance and pledged securities held in the name of the District.

**Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the District’s policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The District’s investments that are held by an outside party are fully insured and backed by the U.S. Government and, registered in the name of the District. Therefore, the District is not exposed to custodial credit risk.

**Interest Rate Risk** –Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 180 days.

**Concentration Risk** – Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. All of the District’s investments are explicitly guaranteed by the U.S. government or invested in an external investment pool and therefore, not exposed to concentration risk.

As of August 31, 2013, the district had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Tex Pool	\$ 670,216	56

External Investment Pools:

The District uses the following external investment pools:

TexPool

The Texas Local Government Investment Pool (TexPool) was organized in 1989 and is the largest and oldest local government investment pool in the State of Texas. TexPool is governed by and complies with the Interlocal Cooperation Act, Chapter 791 and the Public Funds Investment Act (the “Act”), Chapter 2256, of the Texas Government Code.

The Comptroller of Public Accounts (the “Comptroller”) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust company (the “Trust Company”), which operates TexPool. The Comptroller and the Trust Company have contracted with Federated Investors, Inc. (“Federated”) to provide administrative and investment services to TexPool under the Comptroller’s oversight. State Street Bank serves as custodian to TexPool.

In addition, the Comptroller has established the TexPool Investment Advisory Board (the “Board”) composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool and are qualified to advise TexPool. The board advises on TexPool’s Investment Policy and approves the management fee structure.

TexPool is rated AAAM by Standard & Poors, the highest rating possible. The primary objectives of TexPool are the preservation and safety of principal; liquidity; and yield. It seeks to maintain a stable \$1.00 net asset value per share and states its investments at amortized cost. TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government Securities, and AAA-rated no-load money market mutual funds.

**B. Receivables**

Receivables as of year-end for the District’s individual major, non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Other</u>	<u>Total</u>
Receivables:			
Taxes	\$ 319,383	\$ 26,831	\$ 346,214
Foundation payments	461,079	-	461,079
Grants	-	20,986	20,986
Gross Receivables	<u>780,462</u>	<u>47,817</u>	<u>828,279</u>
Less: Allowance for uncollectibles	<u>(46,442)</u>	<u>(3,916)</u>	<u>(50,358)</u>
Net Total Receivables	<u><u>\$ 734,020</u></u>	<u><u>\$ 43,901</u></u>	<u><u>\$ 777,921</u></u>

**C. Deferred Revenues**

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 272,941	\$ -	\$ 22,914	\$ 295,855
Other	-	379	-	379
<b>Total Deferred Revenue</b>	<b>272,941</b>	<b>379</b>	<b>22,914</b>	<b>296,234</b>
Grants and Gifts	-	2,694	-	2,694
Child Nutrition Receipts	-	33,309	-	33,309
<b>Total Unearned Revenue</b>	<b>-</b>	<b>36,003</b>	<b>-</b>	<b>36,003</b>
<b>Total Deferred Revenues &amp; Unearned Revenues</b>	<b>\$ 272,941</b>	<b>\$ 36,382</b>	<b>\$ 22,914</b>	<b>\$ 332,237</b>

**D. 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, 2013, are summarized below. All federal grants shown below are passed through TEA and are reported on the financial statements as Due from Other Governments.

Fund	State Entitlements	Inter- governmental	Totals
General	\$ 461,079	\$ -	\$ 461,079
Nonmajor and other funds	-	20,986	20,986
<b>Total</b>	<b>\$ 461,079</b>	<b>\$ 20,986</b>	<b>\$ 482,065</b>

**E. Inter-fund Balances and Transfers**

Inter-fund balances are created when there are transactions that span more than one fund and cash is not transferred between the funds at that time. Inter-fund balances resulted from the time lag between the dates that 1) inter-fund goods and services are provided on reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Inter-fund balances at August 31, 2013 consisted of the following individual fund receivables and payables:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Non-major Governmental Funds	\$ 1,006	\$ -
Total General Fund	<u>1,006</u>	<u>-</u>
Non-major Governmental Funds:		
General Fund	<u>-</u>	<u>1,006</u>
Total Non-major Governmental Funds	-	1,006
Total	<u>\$ 1,006</u>	<u>\$ 1,006</u>

Inter-fund transfers for the year ended August 31, 2013, consisted of the following amounts:

Transfers to National Breakfast & Lunch Program:	
General Fund	\$ 274,860
Total Transfers	<u>\$ 274,860</u>



**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2013, was as follows:

	Beginning Balance 8/31/2012	Primary Government		Ending Balance 8/31/2013
		Additions	Retirements	
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 583,305	\$ -	\$ -	\$ 583,305
Construction in Progress	-	1,205,191	-	1,205,191
Total Capital Assets, not being depreciated:	583,305	1,205,191	-	1,788,496
Capital Assets, being depreciated:				
Buildings	30,436,161	162,761	-	30,598,922
Machinery and Equipment	3,539,019	254,725	(139,781)	3,653,963
Total Capital Assets, being depreciated	33,975,180	417,486	(139,781)	34,252,885
Less Accumulated Depreciations For:				
Buildings	(15,163,667)	(600,876)	-	(15,764,543)
Machinery and Equipment	(2,766,050)	(212,000)	135,486	(2,842,564)
Total Accumulated Depreciation	(17,929,717)	(812,876)	135,486	(18,607,107)
Total Capital Assets, being depreciated, net	16,045,463	(395,390)	(4,295)	15,645,778
Governmental Activities Capital Assets, net	<u>\$ 16,628,768</u>	<u>\$ 809,801</u>	<u>\$ (4,295)</u>	<u>\$ 17,434,274</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 474,036
Instructional Resources & Media Services	50,962
Curriculum & Instructional Staff Development	1,426
School Leadership	3,570
Guidance, Counseling & Evaluation Services	690
Health Services	586
Student (Pupil) Transportation	96,325
Food Services	37,157
Extracurricular Activities	92,014
General Administration	16,502
Facilities Maintenance and Operations	12,056
Security and Monitoring Services	-
Data Processing Services	27,552
Total Depreciation Expense	<u>\$ 812,876</u>

**G. Long-term Debt**

***Bonds Payable***

A summary of changes in general long-term debt for the year ended August 31, 2013 is as follows:

Description	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding 8/31/12	Issued	Retired	Interest Accretion	Payable Amounts Outstanding 8/31/13	Amounts Due Within One Year
Unlimited Tax School Building and Refunding Bonds Series 1995; Interest 5.5% to 5.9%	\$ 7,715,547	\$ -	\$ 1,600,193	\$ -	\$ -	\$ 113,973	\$ 1,714,166	\$ 920,000
Unlimited Tax Refunding Bonds, Series 1998 Interest 3.7% to 4.5%	5,164,682	19,688	875,000	-	875,000	-	-	-
<b>Total</b>		<b>\$ 19,688</b>	<b>\$ 2,475,193</b>	<b>\$ -</b>	<b>\$ 875,000</b>	<b>\$ 113,973</b>	<b>\$ 1,714,166</b>	<b>\$ 920,000</b>

Debt obligations are paid from Debt Service Fund and are serviced by property tax and state revenues.

Debt service requirements are as follows:

		<u>General Obligations</u>
Year Ended August 31,		Total <u>Requirements</u>
	2014	920,000
	2015	<u>915,000</u>
	<b>Total</b>	<b><u>\$ 1,835,000</u></b>

A portion of bonds sold in the Series 1995 and 1998 refunding bond issues were premium capital appreciation bonds. These obligations have par values of \$478,273 and maturity values of \$1,835,000. The interest on these obligations will be paid upon maturity at fiscal years ending August 31, 2014 and 2015. The accreted values of these bonds at August 31, 2013, are \$1,714,166 which has been recorded in the government-wide financial statements.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Administration has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2013.

## H. Operating Leases

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2013 as follows:

Years Ending August 31,		
	2014	82,884
	2015	1,560
	2016	1,560
	2017	1,560
	2018	1,170
		<hr/>
Total Minimum Rentals		\$ 88,734
		<hr/>
Rental Expenditures for year ended August 31, 2013		\$ 81,714
		<hr/>

## I. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2013, the District had no liability for accrued sick leave or vacation leave.

## J. DEFINED BENEFIT PENSION PLAN

**Plan Description.** Gatesville Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

**Funding Policy.** Contribution requirements are not actuarially determined but are legally established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.4% of the member's annual compensation and a state contribution rate of not less than 6.4% and not more than 10.0% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's 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. State law provides for a member contribution rate of 6.4% for fiscal years 2013, 2012, and 2011, and a state contribution rate of 6.40% for fiscal year 2013, 6.00% for fiscal year 2012, and 6.644% for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of Gatesville Independent School District's employees for the years ended August 31, 2013, 2012, and 2011 were \$778,968, \$767,324, and \$816,414 respectively. Gatesville Independent School District paid additional state contributions for the years ended August 31, 2013, 2012, and 2011 in the amounts of \$62,492, \$63,056, and \$69,194 respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

**Medicare Part D – On Behalf Payments** Prescription Drug Improvement and Modernization Act of 2003, which was effective January 1, 2009, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$34,784, \$29,950, and \$36,373 were recognized for the years ended August 31, 2013, 2012 and 2011 respectively, as equal revenues and expenditures.

#### **K. Health Care Coverage**

During the year ended August 31, 2013, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$345 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 licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2013, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the insurer are available for the year ended December 31, 2012, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

#### **L. Retiree Health Plan**

**Plan Description** The Gatesville Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-CARE), a cost-sharing multiple employer defined benefit post employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care 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 Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

**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. The State of Texas contribution rates were 0.50% of public school payroll for fiscal year 2013, and 1.00% for fiscal years 2012 and 2011. The District and active school employee contributions were 0.55% and 0.65% respectively for fiscal years 2013, 2012 and 2011. 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. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care on behalf of District employees were \$67,659, \$137,275, and \$138,428 respectively, the active member contributions were \$87,956, \$89,230, and \$89,978 respectively, and the school district's contributions were \$74,425, \$75,501, and \$76,134 respectively, which equaled the required contributions each year.

#### **Self-Funded Workers' Compensation**

On September 1, 2005, the District joined a workers' compensation self-insurance joint fund with other districts pursuant to Texas Labor Code CH, 504 (Workers' Compensation Insurance Coverage for Employees of Political Subdivisions) and Texas Government Code Ch. 791 (the inter-local Cooperation Act). The District has adopted a three-year participation requirement. Claims Administrative Services, Inc., through its actuarial review of the workers' compensation self-funded program, projected an undiscounted liability of \$29,124 as of August 31, 2013 and \$71,615 as of August 31, 2012. Claims administration is provided by Claims Administrative Services, Inc. Stop-loss coverage was in effect for annual aggregate claims exceeding \$53,870. The District incurred claims in both fiscal years 2013 and 2012 against the stop loss coverage.

The claims liability for workers' compensation self-funding of \$29,124 includes incurred but not reported claims in the amount of \$59,768 as of August 31, 2013. The difference represents claims against the stop loss fund. This liability reported in the fund at August 31, 2013, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is reasonably probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. Because actual claim liabilities depend on such compliance factors as inflation, changes in legal doctrine, and damage awards, the process used in computing the liability does not result in necessarily in an exact amount. The liability recorded was the undiscounted estimate of the actuary.

Changes in the workers' compensation claims liability amounts are presented below:

	Fiscal Year Liability	Change in Estimates	Claim Payments	Fiscal Year-end
2006 - Claims Liability	\$ 1,627	\$ 824	\$ 257	\$ 2,194
2007 - Claims Liability	936	(180)	62	694
2008 - Claims Liability	3,701	(868)	269	2,564
2009 - Claims Liability	3,540	(355)	247	2,938
2010 - Claims Liability	4,889	(813)	656	3,420
2011 - Claims Liability	9,895	(1,683)	1,720	6,492
2012 - Claims Liability	47,027	2,596	49,609	14
2013 - Claims Liability	-	39,570	28,762	10,808
Total	<u>\$ 71,615</u>	<u>\$ 39,091</u>	<u>\$ 81,582</u>	<u>\$ 29,124</u>

#### **M. Commitments and 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 collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

#### **N. Shared Service Arrangements**

The District participates in a Shared Services Arrangement for Special Education Services with the following districts:

McGregor ISD	Oglesby ISD
Moody ISD	Gatesville ISD
Crawford ISD	

The district does not account for revenue or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, the Heart of Texas Co-op, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. The District also participates in two Shared Service Arrangements with Education Service Center, Region XII, for Title I, Part C Migrant education and Title III, Part A LEP.

**P. Revenue From Local and Intermediate Sources**

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

	<u>General</u>	<u>National Breakfast and Lunch Program</u>	<u>Debt Services</u>	<u>Other Special Revenue Funds</u>	<u>Private Purpose Trust</u>	<u>Total</u>
Property Taxes	\$ 6,144,307	\$ -	\$ 519,898	\$ -	\$ -	\$ 6,664,205
Penalties, Interest and Other Tax- related income	87,419	-	7,395	-	-	94,814
Investment Income	47,233	1	1,146	989	2,165	51,534
Food Sales	-	428,956	-	-	-	428,956
Student Activities	234,909	2,503	-	71,700	-	309,112
Gifts and Bequests	-	-	-	3,609	64,333	67,942
Rent	5,916	-	-	-	-	5,916
Athletic Activities	179,976	-	-	-	-	179,976
Other	34,425	-	-	44,670	-	79,095
Total	<u>\$ 6,734,185</u>	<u>\$ 431,460</u>	<u>\$ 528,439</u>	<u>\$ 120,968</u>	<u>\$ 66,498</u>	<u>\$ 7,881,550</u>

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 6,220,549	\$ 6,231,769	\$ 6,734,185	\$ 502,416
5800 State Program Revenues	13,738,943	13,738,943	13,785,101	46,158
5900 Federal Program Revenues	101,000	101,000	231,658	130,658
5020 Total Revenues	20,060,492	20,071,712	20,750,944	679,232
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	11,547,284	11,590,945	11,097,065	493,880
0012 Instructional Resources and Media Services	399,282	400,478	388,622	11,856
0013 Curriculum and Instructional Staff Development	201,739	207,630	186,741	20,889
0021 Instructional Leadership	58,088	60,175	59,924	251
0023 School Leadership	1,219,470	1,173,419	1,132,466	40,953
0031 Guidance, Counseling and Evaluation Services	576,950	580,309	560,736	19,573
0032 Social Work Services	25,755	26,270	26,154	116
0033 Health Services	234,290	234,394	227,350	7,044
0034 Student (Pupil) Transportation	1,048,713	998,713	853,382	145,331
0035 Food Services	92,680	92,680	63,571	29,109
0036 Extracurricular Activities	980,788	997,031	931,495	65,536
0041 General Administration	666,263	688,268	646,963	41,305
0051 Facilities Maintenance and Operations	2,594,064	2,583,837	2,020,029	563,808
0052 Security and Monitoring Services	50,505	60,073	43,042	17,031
0053 Data Processing Services	353,174	361,897	359,608	2,289
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	1,889,597	1,403,396	486,201
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	475,000	396,916	384,125	12,791
0099 Other Intergovernmental Charges	127,500	127,500	124,550	2,950
6030 Total Expenditures	20,651,545	22,470,132	20,509,219	1,960,913
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(591,053)	(2,398,420)	241,725	2,640,145
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	-	-	2,680	2,680
8911 Transfers Out (Use)	(231,792)	(281,792)	(274,860)	6,932
7080 Total Other Financing Sources (Uses)	(231,792)	(281,792)	(272,180)	9,612
1200 Net Change in Fund Balances	(822,845)	(2,680,212)	(30,455)	2,649,757
0100 Fund Balance - September 1 (Beginning)	17,168,058	17,168,058	17,168,058	-
3000 Fund Balance - August 31 (Ending)	\$ 16,345,213	\$ 14,487,846	\$ 17,137,603	\$ 2,649,757

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2013

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 11,805	\$ 80,914	\$ -	\$ 2,373
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240 Receivables from Other Governments	1,775	18,172	1,006	33
1290 Other Receivables	-	736	-	-
1000 Total Assets	<u>\$ 13,580</u>	<u>\$ 99,822</u>	<u>\$ 1,006</u>	<u>\$ 2,406</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 2,020	\$ 40,720	\$ -	\$ 33
2160 Accrued Wages Payable	10,527	25,283	-	2,162
2170 Due to Other Funds	-	-	1,006	-
2200 Accrued Expenditures	1,033	510	-	211
2000 Total Liabilities	<u>13,580</u>	<u>66,513</u>	<u>1,006</u>	<u>2,406</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2602 Deferred Resources - Other	-	33,309	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>33,309</u>	<u>-</u>	<u>-</u>
<b>FUNDBALANCES</b>				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 13,580</u>	<u>\$ 99,822</u>	<u>\$ 1,006</u>	<u>\$ 2,406</u>



287 Education Jobs Fund	397 Advanced Placement Incentives	404 Student Success Initiative	410 State Textbook Fund	461 Campus Activity Funds	480 Gatesville Ministerial Alliance	481 Donor Designated Grants & Gift	Total Nonmajor Special Revenue Funds
\$ -	\$ 1,403	\$ -	\$ 4,417	\$ 139,648	\$ 7,923	\$ 3,408	\$ 251,891
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	20,986
-	-	-	-	-	-	-	736
<u>\$ -</u>	<u>\$ 1,403</u>	<u>\$ -</u>	<u>\$ 4,417</u>	<u>\$ 139,648</u>	<u>\$ 7,923</u>	<u>\$ 3,408</u>	<u>\$ 273,613</u>
\$ -	\$ -	\$ -	\$ 2,199	\$ -	\$ -	\$ -	\$ 44,972
-	-	-	-	-	-	-	37,972
-	-	-	-	-	-	-	1,006
-	-	-	-	-	-	-	1,754
-	-	-	2,199	-	-	-	85,704
-	-	-	-	-	-	-	-
-	379	-	-	-	-	2,694	36,382
-	379	-	-	-	-	2,694	36,382
-	-	-	-	-	-	-	-
-	1,024	-	2,218	-	7,923	714	11,879
-	-	-	-	139,648	-	-	139,648
-	1,024	-	2,218	139,648	7,923	714	151,527
<u>\$ -</u>	<u>\$ 1,403</u>	<u>\$ -</u>	<u>\$ 4,417</u>	<u>\$ 139,648</u>	<u>\$ 7,923</u>	<u>\$ 3,408</u>	<u>\$ 273,613</u>

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2013

Data Control Codes	599 Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 404,176	\$ 656,067
1220 Property Taxes - Delinquent	26,831	26,831
1230 Allowance for Uncollectible Taxes (Credit)	(3,916)	(3,916)
1240 Receivables from Other Governments	-	20,986
1290 Other Receivables	-	736
1000 Total Assets	<u>\$ 427,091</u>	<u>\$ 700,704</u>
<b>LIABILITIES</b>		
2110 Accounts Payable	\$ -	\$ 44,972
2160 Accrued Wages Payable	-	37,972
2170 Due to Other Funds	-	1,006
2200 Accrued Expenditures	-	1,754
2000 Total Liabilities	<u>-</u>	<u>85,704</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2601 Unavailable Revenue - Property Taxes	22,914	22,914
2602 Deferred Resources - Other	-	36,382
2600 Total Deferred Inflows of Resources	<u>22,914</u>	<u>59,296</u>
<b>FUNDBALANCES</b>		
Restricted Fund Balance:		
3480 Retirement of Long-Term Debt	404,177	404,177
3490 Other Restricted Fund Balance	-	11,879
Assigned Fund Balance:		
3590 Other Assigned Fund Balance	-	139,648
3000 Total Fund Balances	<u>404,177</u>	<u>555,704</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 427,091</u>	<u>\$ 700,704</u>

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ -	\$ 431,460	\$ -	\$ -
5800	State Program Revenues	-	7,661	-	-
5900	Federal Program Revenues	337,874	794,963	22,246	60,423
5020	Total Revenues	<u>337,874</u>	<u>1,234,084</u>	<u>22,246</u>	<u>60,423</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	272,145	-	9,550	50,265
0012	Instructional Resources and Media Services	2,521	-	-	-
0013	Curriculum and Instructional Staff Development	49,582	-	770	8,325
0023	School Leadership	3,826	-	-	1,650
0031	Guidance, Counseling and Evaluation Services	-	-	11,926	-
0032	Social Work Services	-	-	-	-
0035	Food Services	-	1,508,944	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	9,800	-	-	183
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	<u>337,874</u>	<u>1,508,944</u>	<u>22,246</u>	<u>60,423</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(274,860)</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	274,860	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>274,860</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

287 Education Jobs Fund	397 Advanced Placement Incentives	404 Student Success Initiative	410 State Textbook Fund	461 Campus Activity Funds	480 Gatesville Ministerial Alliance	481 Donor Designated Grants & Gift	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 120,968	\$ -	\$ -	\$ 552,428
-	-	14,733	141,817	-	-	600	164,811
53,928	-	-	-	-	-	-	1,269,434
<u>53,928</u>	<u>-</u>	<u>14,733</u>	<u>141,817</u>	<u>120,968</u>	<u>-</u>	<u>600</u>	<u>1,986,673</u>
-	-	14,733	142,115	-	-	2,694	491,502
-	-	-	488	-	-	-	3,009
-	-	-	-	-	-	-	58,677
49,732	-	-	-	-	-	-	55,208
4,196	-	-	-	-	-	-	16,122
-	-	-	-	-	242	-	242
-	-	-	-	-	-	-	1,508,944
-	-	-	-	119,639	-	-	119,639
-	-	-	-	-	-	-	9,983
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>53,928</u>	<u>-</u>	<u>14,733</u>	<u>142,603</u>	<u>119,639</u>	<u>242</u>	<u>2,694</u>	<u>2,263,326</u>
-	-	-	(786)	1,329	(242)	(2,094)	(276,653)
-	-	-	-	-	-	-	274,860
-	-	-	-	-	-	-	274,860
-	-	-	(786)	1,329	(242)	(2,094)	(1,793)
-	1,024	-	3,004	138,319	8,165	2,808	153,320
<u>\$ -</u>	<u>\$ 1,024</u>	<u>\$ -</u>	<u>\$ 2,218</u>	<u>\$ 139,648</u>	<u>\$ 7,923</u>	<u>\$ 714</u>	<u>\$ 151,527</u>

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		599 Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
5700	Total Local and Intermediate Sources	\$ 528,439	\$ 1,080,867
5800	State Program Revenues	335,732	500,543
5900	Federal Program Revenues	-	1,269,434
5020	Total Revenues	<u>864,171</u>	<u>2,850,844</u>
<b>EXPENDITURES:</b>			
Current:			
0011	Instruction	-	491,502
0012	Instructional Resources and Media Services	-	3,009
0013	Curriculum and Instructional Staff Development	-	58,677
0023	School Leadership	-	55,208
0031	Guidance, Counseling and Evaluation Services	-	16,122
0032	Social Work Services	-	242
0035	Food Services	-	1,508,944
0036	Extracurricular Activities	-	119,639
0041	General Administration	-	9,983
Debt Service:			
0071	Principal on Long Term Debt	875,000	875,000
0072	Interest on Long Term Debt	19,688	19,688
0073	Bond Issuance Cost and Fees	1,000	1,000
6030	Total Expenditures	<u>895,688</u>	<u>3,159,014</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(31,517)</u>	<u>(308,170)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915	Transfers In	-	274,860
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>274,860</u>
1200	Net Change in Fund Balance	(31,517)	(33,310)
0100	Fund Balance - September 1 (Beginning)	<u>435,694</u>	<u>589,014</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 404,177</u>	<u>\$ 555,704</u>

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.419000	0.081000	194,675,259
2006	1.419000	0.081000	371,122,501
2007	1.298000	0.071000	466,412,085
2008	1.040000	0.088000	508,174,808
2009	1.040000	0.088000	551,713,500
2010	1.040000	0.088000	554,910,952
2011	1.040000	0.088000	562,942,781
2012	1.040000	0.088000	574,211,808
2013 (School year under audit)	1.040000	0.088000	596,434,450
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 15,147	\$ -	\$ 38	\$ 3	\$ (1,797)	\$ 13,309
12,458	-	13	1	(54)	12,390
8,717	-	41	2	(24)	8,650
8,203	-	81	4	(303)	7,815
15,410	-	651	55	(381)	14,323
27,491	-	1,658	140	(576)	25,117
40,225	-	10,105	855	(1,148)	28,117
60,769	-	19,477	1,648	(1,492)	38,152
166,571	-	95,137	8,050	(7,270)	56,114
-	6,727,781	6,017,106	509,140	(59,308)	142,227
<u>\$ 354,991</u>	<u>\$ 6,727,781</u>	<u>\$ 6,144,307</u>	<u>\$ 519,898</u>	<u>\$ (72,353)</u>	<u>\$ 346,214</u>

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2013

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 127,037	\$ 374,522	\$ -	\$ -	\$ 501,559
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	5,145	-	-	-	5,145
6212	Audit Services	-	-	-	17,900	-	-	17,900
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	155,020	-	-	-	-	155,020
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	490	-	-	24,418	-	-	24,908
6240	Contr. Maint. and Repair	-	-	-	2,061	-	-	2,061
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	3,361	-	-	3,361
6290	Miscellaneous Contr.	14,646	-	9,983	6,594	-	-	31,223
6320	Textbooks and Reading	71	-	-	37	-	-	108
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	938	-	1,110	22,774	-	-	24,822
6410	Travel, Subsistence, Stipends	225	-	677	1,417	-	-	2,319
6420	Ins. and Bonding Costs	-	-	-	7,970	-	-	7,970
6430	Election Costs	35	-	-	-	-	-	35
6490	Miscellaneous Operating	3,073	-	647	19,519	-	-	23,239
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	<b>TOTAL</b>	<b>\$ 19,478</b>	<b>\$ 155,020</b>	<b>\$ 144,599</b>	<b>\$ 480,573</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 799,670</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 22,772,544

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 1,622,676
Total Debt & Lease(6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 2,010,524
Food (Function 35, 6341 and 6499)	(13) 622,005
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	480,573

SubTotal: 4,735,778

Net Allowed Direct Cost \$ 18,036,766

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 30,598,922
Historical Cost of Building over 50 years old	(16) \$ 3,307,122
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 3,653,963
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 380,203
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$18,174 in Function 53 expenditures are included in this report on administrative costs.  
 \$124,550 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.



GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUNDS AS OF AUGUST 31, 2013

EXHIBIT J-3

**UNAUDITED**

1	Total General Fund Balance as of 8/31/13 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 17,137,603
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ -	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	54,707	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	4,500,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	3,000,000	
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 month's average cash disbursements during the fiscal year.	3,500,000	
8	Estimate of delayed payments from state sources (58xx).	1,900,000	
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.	170,000	
10	Estimate of delayed payments from federal sources (59xx)	50,000	
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	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>13,174,707</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ 3,962,896</u></u>

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

The net fund balance represents approximately two month's operating expenditure budget, which allows for unforeseen contingencies. This is a prudent measure especially in light of the District's aging physical facilities, potentially leading to expensive repairs and maintenance costs.

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 487,300	\$ 487,300	\$ 431,460	\$ (55,840)
5800 State Program Revenues	7,500	7,500	7,661	161
5900 Federal Program Revenues	757,700	767,700	794,963	27,263
5020 Total Revenues	1,252,500	1,262,500	1,234,084	(28,416)
<b>EXPENDITURES:</b>				
0035 Food Services	1,484,292	1,544,292	1,508,944	35,348
6030 Total Expenditures	1,484,292	1,544,292	1,508,944	35,348
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(231,792)	(281,792)	(274,860)	6,932
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	231,792	281,792	274,860	(6,932)
7080 Total Other Financing Sources (Uses)	231,792	281,792	274,860	(6,932)
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 498,451	\$ 498,451	\$ 528,439	\$ 29,988
5800 State Program Revenues	332,000	332,000	335,732	3,732
5020 Total Revenues	830,451	830,451	864,171	33,720
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long Term Debt	896,688	875,000	875,000	-
0072 Interest on Long Term Debt	-	19,688	19,688	-
0073 Bond Issuance Cost and Fees	-	2,000	1,000	1,000
6030 Total Expenditures	896,688	896,688	895,688	1,000
1200 Net Change in Fund Balances	(66,237)	(66,237)	(31,517)	34,720
0100 Fund Balance - September 1 (Beginning)	435,694	435,694	435,694	-
3000 Fund Balance - August 31 (Ending)	\$ 369,457	\$ 369,457	\$ 404,177	\$ 34,720



**LOTT, VERNON & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' 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  
Gatesville Independent School District  
Gatesville, TX 76528

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gatesville Independent School District (the District) as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2013.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

  
Killeen, Texas  
November 12, 2013





**LOTT, VERNON & COMPANY, P.C.**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Gatesville Independent School District  
Gatesville, Texas 76528

Members of the Board:

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

We have audited the Gatesville Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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 District's compliance.

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

In our opinion, the 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, 2013.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 consider 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Jett, Vernon & Co., P.C.*

Killeen, Texas  
November 12, 2013



**GATESVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2013**

**I. Summary of Auditors' Results**

**A. Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**B. Federal Awards**

Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) that are not considered to be material weaknesses?	None reported

Type of auditors' report issued on compliance for major programs:	Unqualified
---	-------------

Any audit finding disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
---	----

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555 & 10.553	National School Lunch and Breakfast Program - Fund 240
84.010A	ESEA I, Part A Improving Basic Programs - Fund 211
84.410	Education Jobs Fund - Fund 287

Dollar threshold used to distinguish between Type A and Type B programs?	\$300,000
--	-----------

Auditee qualified as low risk auditee?	Yes
--	-----

Pass-through entity for applicable programs:	Texas Education Agency
--	------------------------

**GATESVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2013  
(continued)**

**II. Financial Statement Findings**

Significant Deficiencies:

None.

**III. Federal Award Findings or Questioned Costs**

<u>Program</u>	<u>Findings/ Noncompliance</u>	<u>Questioned Costs</u>
	NONE	

**GATESVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS AND  
CORRECTIVE ACTION PLAN  
YEAR ENDED AUGUST 31, 2013**

Prior Year Findings and Questioned Costs:

There were no prior findings or questioned costs relative to Federal Awards.

Corrective Action Plan:

No corrective action plan was required.

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL PROGRAMS  
FOR THE YEAR ENDED AUGUST 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Project Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<b>DIRECT PROGRAMS</b>			
Impact Aid - P.L. 107-110	84.041	33050902	\$ 230,543
<b>TOTAL DIRECT PROGRAMS</b>			<b>\$ 230,543</b>
<b>PASSED THROUGH STATE DEPARTMENT OF EDUCATION</b>			
ESEA Title I Part A*	84.010A	13610101050902	322,874
ESEA Title I Part A*		13610101050902103	15,000
Total CFDA Number 84.010A			<u>337,874</u>
Vocational Education- Basic Grant	84.048	13420006050902	22,246
ESEA Title II, Part A, Teacher & Principal Training	84.367A	13694501050902	60,423
Summer School LEP	84.369A	69551202	1,115
Education Jobs Fund*	84.410	11550101050902	<u>53,928</u>
<b>TOTAL PASS THROUGH PROGRAMS</b>			<b>\$ 475,586</b>
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 706,129</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
National School Lunch Program*	10.555	71301201	59,203
National School Lunch Program*		71301301	522,145
Total CFDA Number 10.555			<u>581,348</u>
National School Lunch Program (Donated Commodities)	10.550	N/A	77,686
National School Breakfast Program*	10.553	71401201	14,637
National School Breakfast Program*		71401301	121,292
Total CFDA Number 10.553			<u>135,929</u>
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 794,963</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ 1,501,092</b>

\* Indicates a major program

**GATESVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2013**

1. For all Federal programs, the District utilizes the fund types specified by the Texas Education Agency in the Financial Accountability System Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in the General Fund, Special Revenue Fund or a Capital Projects Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H. Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement.
4. The disbursement of funds received under the various federal and state grant programs requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies and the TEA. Any disallowed claims resulting from such audits would become a liability of the general fund. However, in the opinion of management any potential disallowed claims, if any, would not have a material effect on the financial statements or on the overall financial position of the District at August 31, 2013.