

**GATESVILLE INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

For the year ended  
**AUGUST 31, 2014**



GATESVILLE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2014

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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, 2014 at a meeting of the Board of Trustees of such school district on the 15<sup>th</sup> day of December, 2014.



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)

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# LOTT, VERNON & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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KILLEEN • COPPERAS COVE • TEMPLE

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, 2014, 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, 2014, 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 are 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-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 17, 2014, 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 17, 2014

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## **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, 2014. Please read it in conjunction with the independent auditors' report and the District's Basic Financial Statements.

### **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. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how 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 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 is contained in these statements. 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 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. 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 \$33.6 million to \$35.0 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 \$33.7 million at August 31, 2014.

Table I  
Gatesville Independent School District  
Net Position

	<u>2013</u>	<u>2014</u>	<u>% Change</u>
Current and Other Assets	\$ 19,805,445	\$ 36,497,916	84.282%
Capital and Non-current Assets	17,434,274	19,701,777	13.006%
Total Assets	<u>\$ 37,239,719</u>	<u>\$ 56,199,693</u>	<u>50.913%</u>
Current Liabilities	\$ 1,880,452	\$ 1,473,162	-21.659%
Long Term Liabilities	1,714,166	19,637,834	1045.620%
Deferred Inflows of Resources	36,382	41,293	13.498%
Total Liabilities & Deferred Inflows of Resources	<u>\$ 3,631,000</u>	<u>\$ 21,152,289</u>	<u>482.547%</u>
Net Position			
Net Investment in Capital Assets	\$ 15,623,852	\$ 472,933	-96.973%
Restricted	329,821	627,345	90.208%
Unrestricted	17,655,046	33,947,126	92.280%
Total Net Position	<u><u>\$ 33,608,719</u></u>	<u><u>\$ 35,047,404</u></u>	<u><u>4.281%</u></u>

## 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, reported a combined fund balance of \$34.87 million, an increase of \$17.18 million over the prior year. This increase is primarily attributable to the \$17.9 million in bonds issued during the fiscal year ended August 31, 2014. The District applied \$1 million in general fund balance toward the new Elementary School. In addition, the District invested \$1.55 million in general funds toward the cost of capital projects in fiscal year 2014.

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 2013). 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.

## Capital Assets

At the end of 2014, the District had \$19.7 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 2014 major additions include \$1 million for new football stadium concession stands and restroom building, and \$0.5 million to complete the football field and track project. The football field and track project began in fiscal 2013, and the total project cost was \$1.7 million. Construction of the new Elementary School began in the summer of 2014. The new facility, which replaces the existing school building, is scheduled to open for the 2015-

2016 school year. Additional information about the District's capital assets is presented in Note III, F of the financial statements.

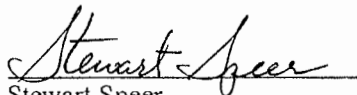
At year-end, the District had \$18.8 million in bonds outstanding, including \$17.9 million issued in fiscal 2014 to construct a new Elementary School. The District's general obligation bond rating continues to carry the highest rating possible, according to national rating agencies. More detailed information about the District's long-term liabilities is presented in Note III, G to the financial statements.

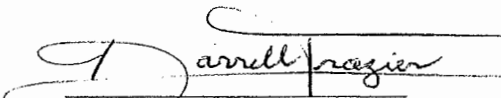
#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and tax rates. These factors include the economy, projected enrollment, taxpayer burden, and the possibility of legislative changes. In order to meet the increased bond debt servicing obligations, the Interest and Sinking tax rate was increased by 4.9 cents to 13.7 cents. No change was made to the Maintenance and Operations tax rate of \$1.04. The District's combined tax rate in support of the 2015 budget is now set at \$1.177.

#### 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 Prazier  
Business Manager

## **BASIC FINANCIAL STATEMENTS**

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GOVERNMENT WIDE STATEMENTS.

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 35,723,934
1220 Property Taxes Receivable (Delinquent)	302,514
1230 Allowance for Uncollectible Taxes	(44,407)
1240 Due from Other Governments	511,369
1290 Other Receivables, net	4,506
Capital Assets:	
1510 Land	583,305
1520 Buildings, Net	16,940,835
1530 Furniture and Equipment, Net	866,026
1580 Construction in Progress	1,311,611
1000 Total Assets	56,199,693
<b>LIABILITIES</b>	
2110 Accounts Payable	409,240
2140 Interest Payable	146,666
2150 Payroll Deductions & Withholdings	994
2160 Accrued Wages Payable	665,198
2180 Due to Other Governments	236,721
2200 Accrued Expenses	14,343
Noncurrent Liabilities	
2501 Due Within One Year	948,023
2502 Due in More Than One Year	18,689,811
2000 Total Liabilities	21,110,996
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2602 Deferred Resources - Other	41,293
2600 Total Deferred Inflows of Resources	41,293
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	472,933
3850 Restricted for Debt Service	627,345
3900 Unrestricted	33,947,126
3000 Total Net Position	\$ 35,047,404

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, 2014

EXHIBIT B-1

FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 12,498,272	\$ 28,879	\$ 1,411,282	\$ (11,058,111)
12 Instructional Resources and Media Services	445,175	-	22,790	(422,385)
13 Curriculum and Staff Development	256,693	-	66,188	(190,505)
21 Instructional Leadership	59,339	-	3,956	(55,383)
23 School Leadership	1,225,526	-	65,822	(1,159,704)
31 Guidance, Counseling and Evaluation Services	597,231	-	45,427	(551,804)
32 Social Work Services	27,152	-	-	(27,152)
33 Health Services	241,266	-	14,584	(226,682)
34 Student (Pupil) Transportation	831,492	151,720	27,628	(652,144)
35 Food Services	1,485,014	423,637	914,648	(146,729)
36 Extracurricular Activities	1,251,358	268,176	27,882	(955,300)
41 General Administration	661,748	3,091	38,067	(620,590)
51 Facilities Maintenance and Operations	2,006,967	41,750	56,093	(1,909,124)
52 Security and Monitoring Services	82,205	-	487	(81,718)
53 Data Processing Services	349,702	-	11,566	(338,136)
61 Community Services	179	-	-	(179)
72 Debt Service - Interest on Long Term Debt	359,787	-	-	(359,787)
73 Debt Service - Bond Issuance Cost and Fees	176,721	-	-	(176,721)
93 Payments related to Shared Services Arrangements	416,022	-	-	(416,022)
99 Other Intergovernmental Charges	128,194	-	-	(128,194)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 23,100,043	\$ 917,253	\$ 2,706,420	(19,476,370)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			6,293,766
DT	Property Taxes, Levied for Debt Service			532,601
GC	Grants and Contributions not Restricted			13,858,402
IE	Investment Earnings			59,526
MI	Miscellaneous Local and Intermediate Revenue			170,760
TR	Total General Revenues			20,915,055
CN	Change in Net Position			1,438,685
NB	Net Position - Beginning			33,608,719
NE	Net Position - Ending			\$ 35,047,404

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

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**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 16,942,099	\$ 17,938,906	\$ 842,929	\$ 35,723,934
1220 Property Taxes - Delinquent	279,002	-	23,512	302,514
1230 Allowance for Uncollectible Taxes (Credit)	(40,949)	-	(3,458)	(44,407)
1240 Receivables from Other Governments	370,762	-	140,607	511,369
1260 Due from Other Funds	96,129	-	-	96,129
1290 Other Receivables	3,602	-	904	4,506
1000 Total Assets	<u>\$ 17,650,645</u>	<u>\$ 17,938,906</u>	<u>\$ 1,004,494</u>	<u>\$ 36,594,045</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 171,723	\$ 232,255	\$ 5,262	\$ 409,240
2150 Payroll Deductions and Withholdings Payable	994	-	-	994
2160 Accrued Wages Payable	631,680	-	33,518	665,198
2170 Due to Other Funds	-	-	96,129	96,129
2180 Due to Other Governments	236,721	-	-	236,721
2200 Accrued Expenditures	12,561	-	1,782	14,343
2000 Total Liabilities	<u>1,053,679</u>	<u>232,255</u>	<u>136,691</u>	<u>1,422,625</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	238,053	-	20,054	258,107
2602 Deferred Resources - Other	-	-	41,293	41,293
2600 Total Deferred Inflows of Resources	<u>238,053</u>	<u>-</u>	<u>61,347</u>	<u>299,400</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3470 Capital Acquisition and Contractual Obligation	-	17,706,651	-	17,706,651
3480 Retirement of Long-Term Debt	-	-	653,406	653,406
3490 Other Restricted Fund Balance	-	-	37,024	37,024
Committed Fund Balance:				
3510 Construction	3,750,000	-	-	3,750,000
3545 Other Committed Fund Balance	2,000,000	-	-	2,000,000
Assigned Fund Balance:				
3550 Construction	2,000,000	-	-	2,000,000
3590 Other Assigned Fund Balance	-	-	116,026	116,026
3600 Unassigned Fund Balance	8,608,913	-	-	8,608,913
3000 Total Fund Balances	<u>16,358,913</u>	<u>17,706,651</u>	<u>806,456</u>	<u>34,872,020</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 17,650,645</u>	<u>\$ 17,938,906</u>	<u>\$ 1,004,494</u>	<u>\$ 36,594,045</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, 2014

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 34,872,020</b>
1 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 \$36,041,381 and the accumulated depreciation was \$18,607,107. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	17,434,274
2 Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2014 capital outlays is to increase net position.	3,147,631
3 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(880,128)
4 Long term debt issued by governmental activities is not a current liability and therefore not reported as long term debt on the government-wide financial statements. The net effect of recording beginning of the year values for all long term debt outstanding is to decrease net position.	(1,814,717)
5 Current long term debt issued by governmental activities is not a current liability and therefore not reported as long term debt on the governmental fund financial. The net effect of recording the current issuance of long term debt is to decrease net position.	(18,692,953)
6 Current year lease payable increase is other financing sources in governmental fund financial statements, but they should be shown as increase in lease payable in the government-wide financial statements. The net effect of including the new 2014 lease is to decrease net position.	(148,915)
7 Lease payments are expenditures in the governmental funds but are treated as reductions of lease payables in the government-wide financial statements. The net effect of reducing lease payables is to increase net positions.	-
8 Long term debt payments are expenditures in the governmental financial statements, but are treated as reductions of long term debt on the government-wide financial statements. The net effect of reducing long term debt is to increase net position.	920,000
9 Property taxes are recognized as revenue in the governmental financial statements when collected, but recognized on the government-wide financials statements in the year levied. The net effect of the difference in property tax revenue recognize is to increase net position.	258,107
10 Other miscellaneous differences in accounting treatments between the governmental financial statements and the government-wide financial statements resulted in an decrease to net position.	(47,915)
<b>19 Net Position of Governmental Activities</b>	<b>\$ 35,047,404</b>

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, 2014

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 6,757,033	\$ 118,262	\$ 1,135,931	\$ 8,011,226
5800 State Program Revenues	14,350,648	-	756,302	15,106,950
5900 Federal Program Revenues	186,246	-	1,271,626	1,457,872
5020 Total Revenues	21,293,927	118,262	3,163,859	24,576,048
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	11,374,873	-	769,821	12,144,694
0012 Instructional Resources and Media Services	390,583	-	5,433	396,016
0013 Curriculum and Instructional Staff Development	197,562	-	58,509	256,071
0021 Instructional Leadership	59,339	-	-	59,339
0023 School Leadership	1,246,779	-	2,481	1,249,260
0031 Guidance, Counseling and Evaluation Services	580,897	-	15,644	596,541
0032 Social Work Services	26,285	-	867	27,152
0033 Health Services	240,680	-	-	240,680
0034 Student (Pupil) Transportation	800,902	-	-	800,902
0035 Food Services	44,024	-	1,400,630	1,444,654
0036 Extracurricular Activities	977,001	-	140,756	1,117,757
0041 General Administration	643,116	-	10,000	653,116
0051 Facilities Maintenance and Operations	1,997,249	-	-	1,997,249
0052 Security and Monitoring Services	82,205	-	-	82,205
0053 Data Processing Services	359,196	-	-	359,196
0061 Community Services	-	-	179	179
Debt Service:				
0071 Principal on Long Term Debt	-	-	920,000	920,000
0072 Interest on Long Term Debt	-	-	311,872	311,872
0073 Bond Issuance Cost and Fees	-	175,721	1,000	176,721
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,550,200	1,311,611	-	2,861,811
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	416,022	-	-	416,022
0099 Other Intergovernmental Charges	128,194	-	-	128,194
6030 Total Expenditures	21,115,107	1,487,332	3,637,192	26,239,631
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	178,820	(1,369,070)	(473,333)	(1,663,583)
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital Related Debt Issued (Regular Bonds)	-	17,900,000	-	17,900,000
7912 Sale of Real and Personal Property	428	-	-	428
7913 Capital Leases	148,915	-	-	148,915
7915 Transfers In	-	1,000,000	106,853	1,106,853
7916 Premium or Discount on Issuance of Bonds	-	175,721	617,232	792,953
8911 Transfers Out (Use)	(1,106,853)	-	-	(1,106,853)
7080 Total Other Financing Sources (Uses)	(957,510)	19,075,721	724,085	18,842,296
1200 Net Change in Fund Balances	(778,690)	17,706,651	250,752	17,178,713
0100 Fund Balance - September 1 (Beginning)	17,137,603	-	555,704	17,693,307
3000 Fund Balance - August 31 (Ending)	\$ 16,358,913	\$ 17,706,651	\$ 806,456	\$ 34,872,020

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, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 17,178,713
Current year capital outlays payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2014 capital outlays is to increase net position.	3,147,630
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.	(880,128)
Long term debt payments are expenditures in the governmental funds, but are treated as reductions of long term debt on the Statement of Net Position. The net effect of reducing long term debt is to increase net position.	920,000
Current year lease payable increase is other financing sources in governmental funds, but they should be shown as an increase in lease payable in the government-wide financial statements. The net effect of including the new 2014 lease is decrease to net position.	(148,915)
Current year bond issuance is other financing sources in governmental funds, but they should be shown as increase in bond payable in the government-wide financial statements. The net effect of including the new 2013 and 2014 bonds is decrease net position.	(18,692,953)
Property taxes are recognized as revenue in the governmental funds when collected, but recognized in the government-wide financial statements in the year levied. The net effect of the difference in property tax revenue recognized is to decrease net position.	(37,748)
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, eliminating interfund transactions, and reclassifying the proceeds of bond sales. The net effect of these reclassifications and eliminations is to decrease net position.	(47,914)
<b>Change in Net Position of Governmental Activities</b>	<u>\$ 1,438,685</u>

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

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**FIDUCIARY FUND FINANCIAL STATEMENTS**

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2014

EXHIBIT E-1

	836-849 Investment Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 251,201
Other Receivables	-	2,846
Restricted Assets	353,864	-
Total Assets	<u>353,864</u>	<u>\$ 254,047</u>
<b>LIABILITIES</b>		
Accounts Payable	-	\$ 3,325
Due to Student Groups	-	250,722
Total Liabilities	<u>-</u>	<u>\$ 254,047</u>
<b>NET POSITION</b>		
Unrestricted Net Position	353,864	
Total Net Position	<u>\$ 353,864</u>	

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, 2014

EXHIBIT E-2

	836-849 Investment Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 87,205
Total Additions	<u>87,205</u>
DEDUCTIONS:	
Other Operating Costs	93,251
Total Deductions	<u>93,251</u>
Change in Net Position	(6,046)
 Total Net Position - September 1 (Beginning)	 <u>359,910</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 353,864</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, 2014

### 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.

# GATESVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

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.
2. **Capital Project Funds** – The District accounts for resources accumulated and payments made to improve district facilities on a project basis. Financial resources can be used for construction, renovations or repairs that are consistent with a recognized green building rating system.

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.

# GATESVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

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, 2014.

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.



# GATESVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

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, 2014, the amount of \$353,864 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.

# GATESVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

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, 2014 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. 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.

# **GATESVILLE INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2014**

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.

### **B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the fiscal year ended August 31, 2014, the district did not have excess of expenditures over appropriation at the functional level.

### **III. 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 are waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2014, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$35,723,934 and the bank balance was \$36,564,634. The District's cash deposits during the year ended August 31, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

# GATESVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

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, 2014, the district had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Tex Pool	\$ 17,573,707	53

### External Investment Pools:

The District uses the following external investment pools:

# GATESVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

### 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:

	General	Other	Total
Receivables:			
Taxes	\$ 279,002	\$ 23,512	\$ 302,514
Foundation payments	370,762	-	370,762
Grants	-	140,607	140,607
Gross Receivables	649,764	164,119	813,883
Less: Allowance for uncollectibles	(40,949)	(3,458)	(44,407)
Net Total Receivables	\$ 608,815	\$ 160,661	\$ 769,476

**GATESVILLE INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2014**

**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	\$ 238,053	\$ -	\$ 20,054	\$ 258,107
Other	-	379	-	379
 Total Deferred Revenue	238,053	379	20,054	258,486
 Grants and Gifts	-	2,694	-	2,694
Child Nutrition Receipts	-	38,220	-	38,220
 Total Unearned Revenue	-	40,914	-	40,914
 Total Deferred Revenues & Unearned Revenues	<u>\$ 238,053</u>	<u>\$ 41,293</u>	<u>\$ 20,054</u>	<u>\$ 299,400</u>

**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, 2014, 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	\$ 370,762	\$ -	\$ 370,762
Nonmajor and other funds	-	140,607	140,607
 Total	<u>\$ 370,762</u>	<u>\$ 140,607</u>	<u>\$ 511,369</u>

# GATESVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

### 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, 2014 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	\$ 96,129	\$ -
Total General Fund	96,129	-
Non-major Governmental Funds:		
General Fund	-	96,129
Total Non-major Governmental Funds	-	96,129
Total	<u>\$ 96,129</u>	<u>\$ 96,129</u>

Inter-fund transfers for the year ended August 31, 2014, consisted of the following amounts:

Transfers to National Breakfast & Lunch Program:	
General Fund	\$ 106,853
Total Transfers	<u>\$ 106,853</u>
Transfers to Capital Projects:	
General Fund	\$ 1,000,000
Total Transfers	<u>\$ 1,000,000</u>

**GATESVILLE INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2014**

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2014, was as follows:

	Beginning Balance 8/31/2013	Primary Government		Ending Balance 8/31/2014
		Additions	Retirements	
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated:				
Land	\$ 583,305	\$ -	\$ -	\$ 583,305
Construction in Progress	1,205,191	1,311,611	(1,205,191)	1,311,611
Total Capital Assets, not being depreciated:	1,788,496	1,311,611	(1,205,191)	1,894,916
Capital Assets, being depreciated:				
Buildings	30,598,922	2,755,391	-	33,354,313
Machinery and Equipment	3,653,963	285,820	(62,512)	3,877,271
Total Capital Assets, being depreciated	34,252,885	3,041,211	(62,512)	37,231,584
Less Accumulated Depreciations For:				
Buildings	(15,764,543)	(648,935)	-	(16,413,478)
Machinery and Equipment	(2,842,564)	(231,193)	62,512	(3,011,245)
Total Accumulated Depreciation	(18,607,107)	(880,128)	62,512	(19,424,723)
Total Capital Assets, being depreciated, net	15,645,778	2,161,083	-	17,806,861
Governmental Activities Capital Assets, net	<u>\$ 17,434,274</u>	<u>\$ 3,472,694</u>	<u>\$ (1,205,191)</u>	<u>\$ 19,701,777</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 489,781
Instructional Resources & Media Services	49,962
Curriculum & Instructional Staff Development	1,426
School Leadership	3,570
Guidance, Counseling & Evaluation Services	690
Health Services	586
Student (Pupil) Transportation	95,893
Food Services	40,360
Extracurricular Activities	135,901
General Administration	16,632
Facilities Maintenance and Operations	14,912
Data Processing Services	30,415
Total Depreciation Expense	<u>\$ 880,128</u>



GATESVILLE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

**G. Long-term Debt**

***Bonds Payable***

A summary of changes in general long-term debt for the year ended August 31, 2014 is as follows:

Description	Interest Rate	Amounts		Payable		Payable		Amounts	
		Original Issue	Interest Current Year	Amounts		Interest Accretion	Outstanding 8/31/14	Amounts Due Within One Year	
				Outstanding 8/31/2013	Issued				Retired
Bonds									
Unlimited Tax	6.4% -	\$ 845,546	\$ -	\$1,714,166	\$ -	\$ 920,000	\$ 89,892	\$ 884,058	\$ 915,000
School Building and Refunding	10.0%								
Bonds, Series 1995									
Capital Appreciation									
Bonds									
Unlimited Tax	1.3% -	9,589,718	145,134	-	9,500,000	-	-	9,500,000	-
School Building	3.22%								
Bonds, Series 2013									
Capital Appreciation									
Bonds									
Unlimited Tax	3% -	8,351,898	166,737	-	8,200,000	-	-	8,200,000	-
School Building	4%								
Bonds, Series 2014									
Capital Appreciation									
Bonds									
Unlimited Tax	.07% -	751,338	-	-	200,000	-	4,320	755,658	-
School Building	1.67%								
Bonds, Series 2014									
Capital Appreciation									
Bonds									
Premium on Bonds		-	-	-	155,611	6,408	-	149,203	-
Total Bonds Payable		\$ 19,538,500	\$ 311,871	\$ 1,714,166	\$ 18,055,611	\$ 926,408	\$ 94,212	\$ 19,488,919	\$ 915,000
Capital Lease									
De Lage Landen	4.1404%								
Public Finance, LLC									
23 Xerox Copiers		148,915	-	-	148,915	-	-	148,915	33,023
		\$ 19,687,415	\$ 311,871	\$ 1,714,166	\$ 18,204,526	\$ 926,408	\$ 94,212	\$ 19,637,834	\$ 948,023

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

# GATESVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

Debt service requirements are as follows:

Year Ending August 31, 2014	General Obligations		Total Requirements
	Principal	Interest	
2015	915,000	518,049	1,433,049
2016	665,000	625,736	1,290,736
2017	655,000	635,924	1,290,924
2018	655,000	635,736	1,290,736
2019	650,000	643,986	1,293,986
2020	835,000	456,844	1,291,844
2021	855,000	439,826	1,294,826
2022	870,000	421,033	1,291,033
2023	890,000	400,533	1,290,533
2024	915,000	377,494	1,292,494
2025	940,000	351,731	1,291,731
2026	970,000	323,837	1,293,837
2027	1,000,000	293,689	1,293,689
2028	1,030,000	261,070	1,291,070
2029	1,065,000	226,237	1,291,237
2030	1,100,000	189,660	1,289,660
2031	1,140,000	151,580	1,291,580
2032	1,180,000	112,140	1,292,140
2033	1,220,000	71,340	1,291,340
2034	1,265,000	25,300	1,290,300
Total	<u>\$ 18,815,000</u>	<u>\$ 7,161,745</u>	<u>\$ 25,976,745</u>

A portion of bonds sold in the Series 1995 refunding bond issues were premium capital appreciation bonds. The obligation outstanding as of August 31, 2014, has a par value of \$230,260 and maturity value of \$915,000. The interest on these obligations will be paid upon maturity in the fiscal year ending August 31, 2015. The accreted values of these bonds at August 31, 2014, are \$884,058 which has been recorded in the government-wide financial statements.

In December 2013 and January 2014, the District issued Unlimited Tax School Building Bonds, Series 2013 and 2014 totaling \$17,900,000. These Series 2013 and 2014 were issued to fund the construction, renovations, acquisition and equipment of school buildings in the District. A portion of the Series 2014 bonds were premium capital appreciation bonds. These obligations have par values of \$751,338 and maturity values of \$785,000. The interest on these obligations will be paid upon maturity at fiscal years ending August 31, 2016 through August 31, 2019. The accreted values of these bonds at August 31, 2014, are \$755,658 which has been recorded in the government-wide financial statements.

# GATESVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

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, 2014.

Debt Service requirements for capital lease:

Years Ending August 31,

	Principal	Interest	Total Requirements
2015	27,372	5,651	33,023
2016	28,528	4,495	33,023
2017	29,732	3,291	33,023
2018	30,987	2,036	33,023
2019	32,296	727	33,023
Total	<u>\$148,915</u>	<u>\$ 16,201</u>	<u>\$ 165,116</u>

### H. Operating Leases

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2014 as follows:

Years Ending August 31,

2015	1,560
2016	1,560
2017	1,560
2018	1,170
Total Minimum Rentals	<u>\$ 5,850</u>
Rental Expenditures for year ended August 31, 2014	<u>\$ 84,624</u>

### I. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2014, the District had no liability for accrued sick leave or vacation leave.

## GATESVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

#### **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 2014, 2013, and 2012, and a state contribution rate of 6.80% for fiscal year 2014, 6.40% for fiscal year 2013, and 6.00% for fiscal year 2012. 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, 2014, 2013, and 2012 were \$825,561, \$778,968, and \$767,324, respectively. Gatesville Independent School District paid additional state contributions for the years ended August 31, 2014, 2013, and 2012 in the amounts of \$71,685, \$62,492, and \$63,056, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

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

During the year ended August 31, 2014, 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, 2014, 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, 2013, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

## GATESVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

#### **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 1.00% of public school payroll for fiscal year 2014, and 0.50% for fiscal year 2013 and 1.00% for fiscal year 2012. The District and active school employee contributions were 0.55% and 0.65% respectively for fiscal years 2014, 2013 and 2012. 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, 2014, 2013, and 2012, the State's contributions to TRS-Care on behalf of District employees were \$135,615, \$67,659, and \$137,275 respectively, the active member contributions were \$88,151, \$87,956, and \$89,230 respectively, and the school district's contributions were \$74,589, \$74,425, and \$75,501 respectively, which equaled the required contributions each year.

**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 \$35,001, \$34,784, and \$29,950 were recognized for the years ended August 31, 2014, 2013 and 2012 respectively, as equal revenues and expenditures.

#### **M. 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 \$33,597 as of August 31, 2014 and \$29,124 as of August 31, 2013. 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 2014 and 2013 against the stop loss coverage.

The claims liability for workers' compensation self-funding of \$33,597 includes incurred but not reported claims in the amount of \$99,669 as of August 31, 2014. The difference represents claims against the stop loss fund. This liability reported in the fund at August 31, 2014, 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

# GATESVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

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:

	Beginning of Fiscal Year Liability	Primary Government Change in Provision for Insured Events	Claim Payments	Ending of Fiscal Liability
2006 - Claims Liability	\$ 2,194	\$ (262)	\$ 287	\$ 1,645
2007 - Claims Liability	694	531	125	1,100
2008 - Claims Liability	2,564	(23)	223	2,318
2009 - Claims Liability	2,937	(445)	44	2,448
2010 - Claims Liability	3,421	(504)	174	2,743
2011 - Claims Liability	6,492	229	793	5,928
2012 - Claims Liability	15	1	-	16
2013 - Claims Liability	10,807	(763)	10,044	-
2014 - Claims Liability	-	42,246	24,847	17,399
Total	<u>\$ 29,124</u>	<u>\$ 41,010</u>	<u>\$ 36,537</u>	<u>\$ 33,597</u>

### N. 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.

### O. 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	

# GATESVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

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:

	General	Capital Projects	National Breakfast and Lunch Program	Debt Services	Other Special Revenue Funds	Private Purpose Trust	Total
Property Taxes	\$ 6,343,935	\$ -	\$ -	\$ 536,723	\$ -	\$ -	\$ 6,880,658
Penalties, Interest and Other Tax- related income	103,295	-	-	8,666	-	-	111,961
Investment Income	53,554	3,262	-	1,795	915	2,045	61,571
Food Sales	-	-	417,455	-	-	-	417,455
Student Activities	121,769	-	1,793	-	61,685	-	185,247
Gifts and Bequests	-	115,000	-	-	61,024	85,160	261,184
Rent	4,801	-	-	-	-	-	4,801
Athletic Activities	117,059	-	-	-	-	-	117,059
Other	12,620	-	-	-	45,875	-	58,495
Total	<u>\$ 6,757,033</u>	<u>\$ 118,262</u>	<u>\$ 419,248</u>	<u>\$ 547,184</u>	<u>\$ 169,499</u>	<u>\$ 87,205</u>	<u>\$ 8,098,431</u>

### **Q. Subsequent Accounting Pronouncements**

GASB statement No. 68, Accounting and Financial Reporting for Pensions – An amendment of GASB statement No. 27, was issued June of 2012 and will apply to the District's financial statements beginning with year ended August 31, 2015. This statement will require the District to recognize a liability for its proportionate share of the net pension liability.

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**OTHER SUPPLEMENTAL SCHEDULES**

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## **OTHER SCHEDULES**

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GATESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 6,414,951	\$ 6,564,951	\$ 6,757,033	\$ 192,082
5800 State Program Revenues	14,518,452	14,518,452	14,350,648	(167,804)
5900 Federal Program Revenues	51,000	51,000	186,246	135,246
5020 Total Revenues	20,984,403	21,134,403	21,293,927	159,524
EXPENDITURES:				
Current:				
0011 Instruction	11,841,406	11,846,545	11,374,873	471,672
0012 Instructional Resources and Media Services	402,794	404,388	390,583	13,805
0013 Curriculum and Instructional Staff Development	210,959	213,423	197,562	15,861
0021 Instructional Leadership	60,156	60,338	59,339	999
0023 School Leadership	1,288,073	1,300,089	1,246,779	53,310
0031 Guidance, Counseling and Evaluation Services	584,278	592,518	580,897	11,621
0032 Social Work Services	26,206	26,706	26,285	421
0033 Health Services	240,232	243,121	240,680	2,441
0034 Student (Pupil) Transportation	942,697	943,773	800,902	142,871
0035 Food Services	61,780	62,451	44,024	18,427
0036 Extracurricular Activities	635,454	1,040,270	977,001	63,269
0041 General Administration	703,074	703,878	643,116	60,762
0051 Facilities Maintenance and Operations	2,567,610	2,567,121	1,997,249	569,872
0052 Security and Monitoring Services	91,955	97,456	82,205	15,251
0053 Data Processing Services	388,281	374,281	359,196	15,085
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	1,668,165	1,550,200	117,965
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	416,022	416,022	416,022	-
0099 Other Intergovernmental Charges	132,500	132,500	128,194	4,306
6030 Total Expenditures	20,593,477	22,693,045	21,115,107	1,577,938
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	390,926	(1,558,642)	178,820	1,737,462
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	428	428
7913 Capital Leases	-	-	148,915	148,915
8911 Transfers Out (Use)	(294,816)	(1,294,816)	(1,106,853)	187,963
7080 Total Other Financing Sources (Uses)	(294,816)	(1,294,816)	(957,510)	337,306
1200 Net Change in Fund Balances	96,110	(2,853,458)	(778,690)	2,074,768
0100 Fund Balance - September 1 (Beginning)	17,137,603	17,137,603	17,137,603	-
3000 Fund Balance - August 31 (Ending)	\$ 17,233,713	\$ 14,284,145	\$ 16,358,913	\$ 2,074,768

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**NONMAJOR GOVERNMENTAL FUNDS**

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2014

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	\$ -	\$ 31,955	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	85,219	22,777	1,226	31,385
1290	Other Receivables	-	904	-	-
1000	Total Assets	<u>\$ 85,219</u>	<u>\$ 55,636</u>	<u>\$ 1,226</u>	<u>\$ 31,385</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 3,764	\$ (2,358)	\$ -	\$ 2,411
2160	Accrued Wages Payable	11,883	19,381	-	2,254
2170	Due to Other Funds	68,403	-	1,226	26,500
2200	Accrued Expenditures	1,169	393	-	220
2000	Total Liabilities	<u>85,219</u>	<u>17,416</u>	<u>1,226</u>	<u>31,385</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2602	Deferred Resources - Other	-	38,220	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>38,220</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</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>\$ 85,219</u>	<u>\$ 55,636</u>	<u>\$ 1,226</u>	<u>\$ 31,385</u>



## EXHIBIT H-1 (Cont'd)

397 Advanced Placement Incentives	410 Instructional Materials Allotment	461 Campus Activity Funds	480 Gatesville Ministerial Alliance	481 Donor Designated Grnts & Gifts	482 Gatesville ISD Education Foundation	483 Fuel Up to Play 60	Total Nonmajor Special Revenue Funds
\$ 1,403	\$ 7,281	\$ 116,026	\$ 7,056	\$ 3,907	\$ 6,921	\$ 14,974	\$ 189,523
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	140,607
-	-	-	-	-	-	-	904
<u>\$ 1,403</u>	<u>\$ 7,281</u>	<u>\$ 116,026</u>	<u>\$ 7,056</u>	<u>\$ 3,907</u>	<u>\$ 6,921</u>	<u>\$ 14,974</u>	<u>\$ 331,034</u>
\$ -	\$ 1,008	\$ -	\$ -	\$ -	\$ 437	\$ -	\$ 5,262
-	-	-	-	-	-	-	33,518
-	-	-	-	-	-	-	96,129
-	-	-	-	-	-	-	1,782
-	1,008	-	-	-	437	-	136,691
-	-	-	-	-	-	-	-
379	-	-	-	2,694	-	-	41,293
379	-	-	-	2,694	-	-	41,293
-	-	-	-	-	-	-	-
1,024	6,273	-	7,056	1,213	6,484	14,974	37,024
-	-	116,026	-	-	-	-	116,026
1,024	6,273	116,026	7,056	1,213	6,484	14,974	153,050
<u>\$ 1,403</u>	<u>\$ 7,281</u>	<u>\$ 116,026</u>	<u>\$ 7,056</u>	<u>\$ 3,907</u>	<u>\$ 6,921</u>	<u>\$ 14,974</u>	<u>\$ 331,034</u>

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2014

Data Control Codes		599 Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
1110	Cash and Cash Equivalents	\$ 653,406	\$ 842,929
1220	Property Taxes - Delinquent	23,512	23,512
1230	Allowance for Uncollectible Taxes (Credit)	(3,458)	(3,458)
1240	Receivables from Other Governments	-	140,607
1290	Other Receivables	-	904
1000	Total Assets	<u>\$ 673,460</u>	<u>\$ 1,004,494</u>
<b>LIABILITIES</b>			
2110	Accounts Payable	\$ -	\$ 5,262
2160	Accrued Wages Payable	-	33,518
2170	Due to Other Funds	-	96,129
2200	Accrued Expenditures	-	1,782
2000	Total Liabilities	<u>-</u>	<u>136,691</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601	Unavailable Revenue - Property Taxes	20,054	20,054
2602	Deferred Resources - Other	-	41,293
2600	Total Deferred Inflows of Resources	<u>20,054</u>	<u>61,347</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3480	Retirement of Long-Term Debt	653,406	653,406
3490	Other Restricted Fund Balance	-	37,024
Assigned Fund Balance:			
3590	Other Assigned Fund Balance	-	116,026
3000	Total Fund Balances	<u>653,406</u>	<u>806,456</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 673,460</u>	<u>\$ 1,004,494</u>

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GATESVILLE INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

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
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 419,248	\$ -	\$ -
5800	State Program Revenues	-	7,511	-	-
5900	Federal Program Revenues	304,908	867,018	28,727	70,973
5020	Total Revenues	304,908	1,293,777	28,727	70,973
EXPENDITURES:					
Current:					
0011	Instruction	256,712	-	13,681	45,117
0012	Instructional Resources and Media Services	3,462	-	-	-
0013	Curriculum and Instructional Staff Development	32,453	-	400	25,656
0023	School Leadership	2,481	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	14,646	-
0032	Social Work Services	-	-	-	-
0035	Food Services	-	1,400,630	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	9,800	-	-	200
0061	Community Services	-	-	-	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	304,908	1,400,630	28,727	70,973
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(106,853)	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	106,853	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	106,853	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

397 Advanced Placement Incentives	410 Instructional Materials Allotment	461 Campus Activity Funds	480 Gatesville Ministerial Alliance	481 Donor Designated Grnts & Gifts	482 Gatesville ISD Education Foundation	483 Fuel Up to Play 60	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 110,969	\$ -	\$ 6,165	\$ 37,365	\$ 15,000	\$ 588,747
-	430,607	-	-	499	-	-	438,617
-	-	-	-	-	-	-	1,271,626
-	430,607	110,969	-	6,664	37,365	15,000	2,298,990
-	426,552	-	-	-	27,733	26	769,821
-	-	-	-	-	1,971	-	5,433
-	-	-	-	-	-	-	58,509
-	-	-	-	-	-	-	2,481
-	-	-	-	-	998	-	15,644
-	-	-	867	-	-	-	867
-	-	-	-	-	-	-	1,400,630
-	-	134,591	-	6,165	-	-	140,756
-	-	-	-	-	-	-	10,000
-	-	-	-	-	179	-	179
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	426,552	134,591	867	6,165	30,881	26	2,404,320
-	4,055	(23,622)	(867)	499	6,484	14,974	(105,330)
-	-	-	-	-	-	-	106,853
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	106,853
-	4,055	(23,622)	(867)	499	6,484	14,974	1,523
1,024	2,218	139,648	7,923	714	-	-	151,527
<u>\$ 1,024</u>	<u>\$ 6,273</u>	<u>\$ 116,026</u>	<u>\$ 7,056</u>	<u>\$ 1,213</u>	<u>\$ 6,484</u>	<u>\$ 14,974</u>	<u>\$ 153,050</u>

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		599 Debt Service	Total Nonmajor Governmental Funds
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 547,184	\$ 1,135,931
5800	State Program Revenues	317,685	756,302
5900	Federal Program Revenues	-	1,271,626
5020	Total Revenues	<u>864,869</u>	<u>3,163,859</u>
EXPENDITURES:			
Current:			
0011	Instruction	-	769,821
0012	Instructional Resources and Media Services	-	5,433
0013	Curriculum and Instructional Staff Development	-	58,509
0023	School Leadership	-	2,481
0031	Guidance, Counseling and Evaluation Services	-	15,644
0032	Social Work Services	-	867
0035	Food Services	-	1,400,630
0036	Extracurricular Activities	-	140,756
0041	General Administration	-	10,000
0061	Community Services	-	179
Debt Service:			
0071	Principal on Long Term Debt	920,000	920,000
0072	Interest on Long Term Debt	311,872	311,872
0073	Bond Issuance Cost and Fees	1,000	1,000
6030	Total Expenditures	<u>1,232,872</u>	<u>3,637,192</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(368,003)</u>	<u>(473,333)</u>
OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	106,853
7916	Premium or Discount on Issuance of Bonds	617,232	617,232
7080	Total Other Financing Sources (Uses)	<u>617,232</u>	<u>724,085</u>
1200	Net Change in Fund Balance	249,229	250,752
0100	Fund Balance - September 1 (Beginning)	<u>404,177</u>	<u>555,704</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 653,406</u>	<u>\$ 806,456</u>

## **REQUIRED TEA SCHEDULES**

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)	
	Tax Rates		Assessed/Appraised Value for School Tax Purposes	
	Maintenance	Debt Service		
2005 and prior years	Various	Various	\$	Various
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	1.040000	0.088000		596,434,450
2014 (School year under audit)	1.040000	0.088000		612,208,439
1000 TOTALS				



(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 25,699	\$ -	\$ 2,066	\$ 143	\$ (11,987)	\$ 11,503
8,650	-	541	31	(52)	8,026
7,815	-	822	45	(157)	6,791
14,323	-	1,952	165	(221)	11,985
25,117	-	5,855	495	(572)	18,195
28,117	-	8,191	693	(1,501)	17,732
38,152	-	15,424	1,305	(1,427)	19,996
56,114	-	26,186	2,216	(1,974)	25,738
142,227	-	84,317	7,135	(9,265)	41,510
-	6,905,711	6,198,582	524,495	(41,596)	141,038
<u>\$ 346,214</u>	<u>\$ 6,905,711</u>	<u>\$ 6,343,936</u>	<u>\$ 536,723</u>	<u>\$ (68,752)</u>	<u>\$ 302,514</u>

GATESVILLE INDEPENDENT SCHOOL DISTRICT  
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
GENERAL FUND AS OF AUGUST 31, 2014

EXHIBIT J-3

**UNAUDITED**

1	Total General Fund Balance as of 8/31/14 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 16,358,913
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)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	5,750,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	2,000,000	
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.	150,000	
10	Estimate of delayed payments from federal sources (59xx)	150,000	
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>13,450,000</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ 2,908,913</u>

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

The net fund balance represents approximately 6 week'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, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 448,750	\$ 448,750	\$ 419,248	\$ (29,502)
5800 State Program Revenues	7,500	7,500	7,511	11
5900 Federal Program Revenues	813,750	813,750	867,018	53,268
5020 Total Revenues	1,270,000	1,270,000	1,293,777	23,777
EXPENDITURES:				
Current:				
0035 Food Services	1,564,816	1,564,816	1,400,630	164,186
6030 Total Expenditures	1,564,816	1,564,816	1,400,630	164,186
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(294,816)	(294,816)	(106,853)	187,963
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	294,816	294,816	106,853	(187,963)
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, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 522,330	\$ 522,330	\$ 547,184	\$ 24,854
5800 State Program Revenues	300,000	300,000	317,685	17,685
5020 Total Revenues	822,330	822,330	864,869	42,539
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	922,000	920,000	920,000	-
0072 Interest on Long Term Debt	-	311,871	311,872	(1)
0073 Bond Issuance Cost and Fees	-	4,000	1,000	3,000
6030 Total Expenditures	922,000	1,235,871	1,232,872	2,999
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,670)	(413,541)	(368,003)	45,538
OTHER FINANCING SOURCES (USES):				
7916 Premium or Discount on Issuance of Bonds	-	617,232	617,232	-
1200 Net Change in Fund Balances	(99,670)	203,691	249,229	45,538
0100 Fund Balance - September 1 (Beginning)	404,177	404,177	404,177	-
3000 Fund Balance - August 31 (Ending)	\$ 304,507	\$ 607,868	\$ 653,406	\$ 45,538

**FEDERAL AWARDS SECTION**

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**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, 2014, 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 17, 2014.

**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 17, 2014





# 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, 2014. 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, 2014.

### **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 17, 2014

**GATESVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2014**

**I. Summary of Auditors' Results**

**A. Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
<ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> <li>• Significant deficiency(ies) that are not considered to be material weaknesses?</li> </ul>	<p>No</p> <p>None reported</p>
Noncompliance material to financial statements noted?	No

**B. Federal Awards**

Internal control over financial reporting:	
<ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> <li>• Significant deficiency(ies) that are not considered to be material weaknesses?</li> </ul>	<p>No</p> <p>None reported</p>
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> 10.555 & 10.553	<u>Name of Federal Program or Cluster</u> National School Lunch and Breakfast Program - Fund 240
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, 2014  
(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, 2014**

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, 2014

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>			
DIRECT PROGRAMS			
Impact Aid - P.L. 107-110	84.041	33050902	\$ 128,274
TOTAL DIRECT PROGRAMS			\$ 128,274
PASSED THROUGH STATE DEPARTMENT OF EDUCATION			
ESEA Title I Part A*	84.010A	14610101050902	304,908
Vocational Education- Basic Grant	84.048	14420006050902	28,727
ESEA Title II, Part A, Teacher & Principal Training	84.367A	14694501050902	70,973
Summer School LEP	84.369A	69551302	1,113
TOTAL PASS THROUGH PROGRAMS			\$ 405,721
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 533,995</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
National School Lunch Program*	10.555	71301301	67,174
National School Lunch Program*		71401401	550,586
Total CFDA Number 10.555			617,760
National School Lunch Program (Donated Commodities)	10.550	N/A	86,843
National School Breakfast Program*	10.553	71401301	17,200
National School Breakfast Program*		71301401	145,215
Total CFDA Number 10.553			162,415
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 867,018</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ 1,401,013</b>

\* Indicates a major program

**GATESVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2014**

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, 2014.