

**GILMER
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2011

Introductory Section

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Gilmer Independent School District
Annual Financial Report
For The Year Ended August 31, 2011

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CERTIFICATE OF BOARD

Gilmer Independent School District
Name of School District

Upshur
County

230-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____approved _____disapproved for the year ended August 31, 2011, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

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Financial Section

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KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Independent Auditors' Report on Financial Statements

Board of Trustees
Gilmer Independent School District
500 Trinity Street
Gilmer, Texas 75644

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gilmer Independent School District as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gilmer Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gilmer Independent School District as of August 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011, on our consideration of Gilmer Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Gilmer Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

December 1, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Gilmer Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

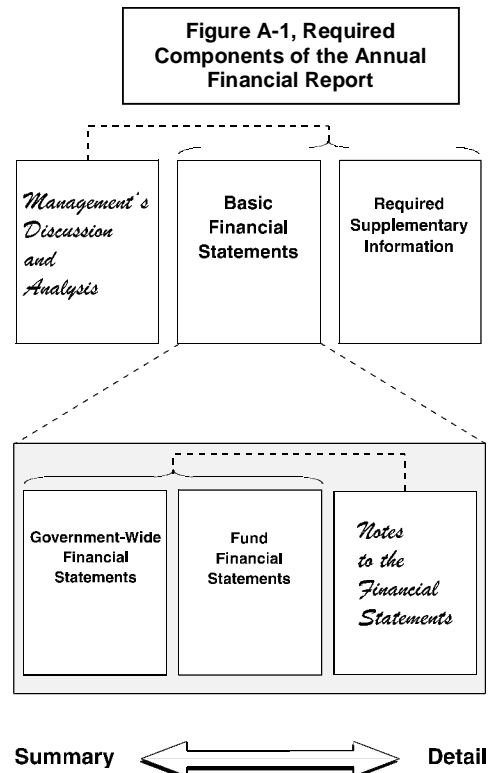
FINANCIAL HIGHLIGHTS

- i The District's total combined net assets were \$11,507,438 at August 31, 2011.
- i During the year, the District's General Fund expenditures were \$57,651 less than the \$18,343,925 generated in taxes and other revenues for governmental activities.
- i The total cost of the District's programs decreased by \$182,704 from the previous year. The majority of the decrease, \$127,116, occurred in the General Operating Fund.
- i The district made investments in capital asset acquisitions (\$195,842) and facility maintenance and improvements (\$100,000) in the amount of \$295,842 during the fiscal year ending August 31, 2011. In addition to these investments, the district invested \$169,000 in small equipment purchases.
- i The general fund reported a fund balance of \$5,017,076 at fiscal year end, which was an increase of \$83,725 over the previous year.
- i The overall financial position of Gilmer Independent School District remains very strong and has shown steady improvement over the past several years through increases in both fund balance and net assets. The district tax base decreased in fiscal year 2011 due to the continued decline in mineral values.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



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

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

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets	• Statement of changes in fiduciary net assets
			• Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

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

Non-major governmental funds include special revenue funds such as ESEA Title 1 Part A (for at-risk population); IDEA-B, Formula (special education); IDEA-B, Preschool (special education); National School Breakfast/Lunch Program (food service to students); Pre-K Grant (state funding for full-day kindergarten); and various other funds restricted for special purposes.

The American Recovery and Reinvestment Act (ARRA), enacted by Congress in 2009, included several non-major governmental funds such as Title 1, Part A Stimulus, IDEA-B Stimulus, Title II Technology Stimulus and Title XIV State Fiscal Stabilization Funds (SFSF). Fiscal year 2011 was the second year of these two-year grants and the district was required to expend all awarded funds by the end of the fiscal year. The district received ARRA funds under each of these special revenue grants.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets (See Table A-1). The District's Governmental activity net assets were \$11,507,438 at August 31, 2011. Overall, the district had a decrease of less than 1% in net assets from prior year. The district had no Business-type activities during the fiscal year. The Business-type activity prior year fund balance was transferred to the General Operating Fund and the Campus Activity Fund.

Table A-1
Gilmer Independent School District's Net Assets
(In dollars)

	2011	2010	2009	2010- 2011	2011	2010	2009	2011	2010	2009	2010- 2011
Current assets:											
Cash and cash equivalents	5,705,282	6,185,448	5,955,614	-8%	-	57,504	52,752	5,705,282	6,242,952	6,008,366	-9%
Property taxes receivable	1,338,617	1,247,384	1,207,111	7%	-	-	-	1,338,617	1,247,384	1,207,111	7%
Due from Other Government	1,377,708	635,187	908,846	117%	-	-	-	1,377,708	635,187	908,846	117%
Other receivables	1,747	4,025	-	-57%	-	-	-	1,747	4,025	-	-57%
Deferred expenses	63,965	75,948	72,295	-16%	-	-	-	63,965	75,948	72,295	-16%
Inventories – supplies and materials	34,223	45,743	54,065	-25%	-	-	-	34,223	45,743	54,065	-25%
Capitalized Bond & Debt Issuance Cost	103,257	108,118	112,979	-4%	-	-	-	103,257	108,118	112,979	-4%
Total current assets	8,624,799	8,301,853	8,310,910	4%	-	57,504	52,752	8,624,799	8,359,357	8,363,662	3%
Noncurrent assets:											
Land	1,220,019	1,220,020	1,220,020	0%	-	-	-	1,220,019	1,220,020	1,220,020	0%
Buildings, furniture and equipment	41,134,629	41,030,717	40,561,580	0%	-	-	-	41,134,629	41,030,717	40,561,580	0%
Less accumulated depreciation	(18,754,980)	(17,632,973)	(16,407,487)	6%	-	-	-	(18,754,980)	(17,632,973)	(16,407,487)	6%
Total noncurrent assets	23,599,668	24,617,764	25,374,113	-4%	-	-	-	23,599,668	24,617,764	25,374,113	-4%
Total Assets	32,224,467	32,919,617	33,685,023	-2%	-	57,504	52,752	32,224,467	32,977,121	33,737,775	-2%
Current liabilities:											
Accounts payable and accrued liabilities	1,118,006	1,121,225	1,087,922	0%	-	-	-	1,118,006	1,121,225	1,087,922	0%
Deferred revenue	22,869	33,724	140,339	-32%	-	-	-	22,869	33,724	140,339	-32%
Total current liabilities	1,140,875	1,154,949	1,228,261	-1%	-	-	-	1,140,875	1,154,949	1,228,261	-1%
Long-term liabilities:											
Due Within One Year	678,928	696,278	674,030	-2%	-	-	-	678,928	696,278	674,030	-2%
Due in More than One Year	18,897,226	19,581,387	20,278,118	-3%	-	-	-	18,897,226	19,581,387	20,278,118	-3%
Total Long Term Liabilities	19,576,154	20,277,665	20,952,148	-3%	-	-	-	19,576,154	20,277,665	20,952,148	-3%
Total Liabilities	20,717,029	21,432,614	22,180,409	-3%	-	-	-	20,717,029	21,432,614	22,180,409	-3%
Net Assets:											
Invested in capital assets	4,334,871	4,707,946	4,956,262	-8%	-	-	-	4,334,871	4,707,946	4,956,262	-8%
Restricted for other purposes	815,121	685,207	499,016	19%	-	-	-	815,121	685,207	499,016	19%
Unrestricted	6,357,446	6,093,850	6,049,336	4%	-	57,504	52,752	6,357,446	6,151,354	6,102,088	3%
Total Net Assets	11,507,438	11,487,003	11,504,614	0%	-	57,504	52,752	11,507,438	11,544,507	11,557,366	0%

The \$6,357,446 of unrestricted net assets represents resources available to fund the governmental activity programs of the District during the next fiscal year.

Changes in net assets (See Table A-2).

Governmental Activities - The District's total revenue for governmental activities was \$23,474,693, which included \$4,186,495 for services and operating grants and contributions, and \$19,288,198 in general revenues.

For fiscal year 2011, approximately 54% of the District's general revenue came from taxes, 45% from state aid, federal programs and specific grants, and the remaining 1% from investment earnings and miscellaneous local sources. The total expenses of all District governmental activity programs and services was \$23,511,763, with approximately 74% of these costs for instructional and student related services.

Governmental Activities

Table A-2
Changes in Gilmer Independent School District's Net Assets
(In dollars)

	Governmental Activities			Business Activities			Total Activities			% Change 2011-2010
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	
Program Revenues:										
Charges for Services	707,692	636,023	706,492	-	33,615	50,525	707,692	669,638	757,017	6%
Operating Grants and Contributions	3,478,803	3,605,517	3,415,987	-	-	-	3,478,803	3,605,517	3,415,987	-4%
General Revenues:										
Property Taxes	10,415,320	10,886,474	11,079,256	-	-	-	10,415,320	10,886,474	11,079,256	-4%
State Aid – Formula	8,634,775	8,181,653	7,434,472	-	-	-	8,634,775	8,181,653	7,434,472	6%
Investment Earnings	53,215	57,934	116,173	-	-	-	53,215	57,934	116,173	-8%
Other	184,888	521,431	159,726	-	-	-	184,888	521,431	159,726	-65%
Total Revenues	23,474,693	23,889,032	22,912,106	-	33,615	50,525	23,474,693	23,922,647	22,962,631	-2%
Program Expenditures										
Instruction	12,031,023	12,166,537	11,720,854	-	28,863	28,413	12,031,023	12,195,400	11,749,267	-1%
Instructional Resources and Media Services	537,924	551,430	478,900	-	-	-	537,924	551,430	478,900	-2%
Curriculum Dev. And Instructional Staff Dev.	339,577	390,716	393,802	-	-	-	339,577	390,716	393,802	-13%
Instructional Leadership	93,974	90,056	190,538	-	-	-	93,974	90,056	190,538	4%
School Leadership	1,208,550	1,223,977	1,119,142	-	-	-	1,208,550	1,223,977	1,119,142	-1%
Guidance, Counseling and Evaluation Services	595,872	573,084	423,733	-	-	-	595,872	573,084	423,733	4%
Health Services	268,060	260,608	251,229	-	-	-	268,060	260,608	251,229	3%
Student Transportation	963,365	1,043,486	931,179	-	-	-	963,365	1,043,486	931,179	-8%
Food Services	1,298,681	1,184,897	1,282,060	-	-	-	1,298,681	1,184,897	1,282,060	10%
Curricular/Extracurricular Activities	1,567,235	1,514,425	1,377,725	-	-	-	1,567,235	1,514,425	1,377,725	3%
General Administration	560,009	571,689	540,396	-	-	-	560,009	571,689	540,396	-2%
Plant Maintenance & Oper.	2,132,444	2,408,220	2,132,917	-	-	-	2,132,444	2,408,220	2,132,917	-11%
Security & Monitoring Svcs.	149,599	182,853	110,465	-	-	-	149,599	182,853	110,465	-18%
Data Processing Services	119,059	109,852	102,469	-	-	-	119,059	109,852	102,469	8%
Community Services	38,212	32,490	33,775	-	-	-	38,212	32,490	33,775	18%
Debt Service	882,493	917,543	949,756	-	-	-	882,493	917,543	949,756	-4%
Bond Issuance Costs	6,034	6,034	6,034	-	-	-	6,034	6,034	6,034	0%
Facilities Acquisition and Construction	9,166	-	6,456	-	-	-	9,166	-	6,456	100%
Payments to Fiscal Agent/Member Dist. – SSA	495,292	459,073	426,000	-	-	-	495,292	459,073	426,000	8%
Other Intergovernmental Charges	215,194	219,673	216,129				215,194	219,673	216,129	-2%
Total Expenses	23,511,763	23,906,643	22,693,559	-	28,863	28,413	23,511,763	23,935,506	22,721,972	-2%

Net Assets (NA) - Beginning	11,487,003	11,504,614	11,286,067	57,504	52,752	30,640	11,544,507	11,557,366	11,316,707	0%
Excess Before Other							-			
Resources, Uses & Transfers	(37,070)	(17,611)	218,547	-	4,752	22,112	(37,070)	(12,859)	240,659	188%
Transfers In (Out)	57,504	-	-	(57,504)	-	-	-	-	-	
Net Assets (NA) - Ending	11,507,437	11,487,003	11,504,614	-	57,504	52,752	11,507,437	11,544,507	11,557,366	0%
Change in Net Assets	20,434	(17,611)	218,547	(57,504)	4,752	22,112	(37,070)	(12,859)	240,659	188%

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

- i The cost of all *governmental* activities this year was \$23,511,763.
- i The amount that District taxpayers funded for these activities through property taxes was \$10,415,320.
- i The remaining costs were funded by state aid, federal grants and contributions in the amount of \$12,858,340 or
- i By interest and other miscellaneous revenues of \$238,103.

Table A-3
Net Cost of Selected District Functions
(In dollars)

	Total Cost of Services				Net Cost of Services			
	% Change				% Change			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011-2010</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011-2010</u>
Instruction	12,031,023	12,166,537	11,720,854	-1%	10,037,510	10,081,585	9,706,640	0%
School Administration	1,208,550	1,223,977	1,119,142	-1%	1,143,264	1,155,884	1,066,238	-1%
Plant Maintenance & Operations	2,132,444	2,408,220	2,132,917	-11%	2,053,032	2,333,236	2,062,975	-12%
Debt Service – Interest & Fiscal Charges	888,527	923,577	955,790	-4%	888,527	923,577	955,790	-4%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Total revenues from governmental fund types totaled \$23,383,461, a decrease of \$125,274 from the previous year. General fund revenue increased \$25,802 while non-major governmental funds revenue decreased \$151,076.. The decrease in total revenue is due primarily to the reduction in stimulus funds received under the American Recovery and Reinvestment Act (ARRA) in the second year of the two-year grants.

General Operating Fund Budgetary Highlights

During the course of the year the District, with approval by the Board of Trustees, amended the general operating budget on a regular basis to reflect changing needs within the District as well as to budget additional revenue received from various sources throughout the year. Actual revenue and expenditures for the fiscal year were \$481,217 below final budgeted amounts. The district invested \$127,000 in capital assets, including the construction of a greenhouse and various other equipment. The district also invested approximately \$100,000 for facility maintenance and improvements to district property. A large portion of the facility maintenance investment was to enclose one of the pavilions at the Elementary campus for physical education use. In addition to capital asset and facility improvements, the district invested

\$169,000 in small equipment purchases. All capital asset acquisitions, facility maintenance, and property improvements were funded entirely by available district funds.

The general operating fund balance increased by \$83,725 for an ending balance of \$5,017,076 as of August 31, 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the District had invested \$42,354,648 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$103,912 over the previous fiscal year.

Table A-4
District's Capital Assets
(In dollars)

	Governmental Activities			Total Percentage Change
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011-2010</u>
Land	1,220,019	1,220,020	1,220,020	0%
Buildings and improvements	37,467,171	37,328,405	37,298,390	0%
Vehicles	2,250,565	2,342,495	2,002,472	-4%
Equipment	1,416,893	1,359,817	1,260,718	4%
Totals at historical cost	<u>42,354,648</u>	<u>42,250,737</u>	<u>41,781,600</u>	0%
Total accumulated depreciation	(18,754,980)	(17,632,973)	(16,407,487)	6%
Net capital assets	<u>23,599,668</u>	<u>24,617,764</u>	<u>25,374,113</u>	-4%

More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the District had \$19,576,154 in outstanding debt as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-5
District's Long Term Debt
(In dollars)

	Governmental Activities			Total Percentage Change
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011-2010</u>
Bonds Payable	19,065,000	19,560,000	20,030,000	-3%
Notes payable	511,154	717,665	922,148	-29%
Capital Leases	-	-	-	
Total Debt	<u>19,576,154</u>	<u>20,277,665</u>	<u>20,952,148</u>	-3%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- i Appraised value used for the 2012 budget preparation is down \$29,018,741 or 2.5% from prior year.
- i General operating funds budgeted per student decreased in the 2012 budget from \$7,754 to \$7,580.
- i The District's 2012 refined average daily attendance was expected to remain about the same as the final 2011 refined average daily attendance of 2203.
- i In response to the massive revenue shortfall experienced by the State of Texas, education funding for the 2012 and 2013 fiscal years was cut approximately 5% during the 2011 legislative session. The district's estimated reduction in state revenue for the 2012 fiscal year is \$1,042,288.

These indicators were taken into account when adopting the general fund budget for 2012. Amounts available for appropriation in the general fund are \$17,359,056, a decrease of \$984,869 over final revenues for 2011. The District reduced staff and operating budgets in anticipation of the 2012 state budget cuts. The district continues to monitor staffing needs and seek efficient operating procedures in order to maximize the available dollars spent directly on student instruction.

The 2012 adopted general fund budget expenditures are expected to decrease from the 2011 amended budget from \$18,855,126 to \$17,359,056.

If these estimates are realized, the District's budgetary general fund balance is expected to remain the same for the 2011-2012 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, stakeholders, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please feel free to contact the District's Business Office.

Basic Financial Statements

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GILMER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

AUGUST 31, 2011

Data Control Codes		1	2	3
		Governmental Activities	Business-type Activities	Total
ASSETS:				
1110	Cash and Cash Equivalents	\$ 2,847,844	\$ --	\$ 2,847,844
1120	Current Investments	2,857,438	--	2,857,438
1225	Property Taxes Receivable (Net)	1,338,617	--	1,338,617
1240	Due from Other Governments	1,377,708	--	1,377,708
1250	Accrued Interest	1,747	--	1,747
1300	Inventories	34,223	--	34,223
1410	Deferred Expenses	63,965	--	63,965
1420	Capitalized Bond and Other Debt Issuance Costs	103,257	--	103,257
Capital Assets:				
1510	Land	1,220,019	--	1,220,019
1520	Buildings and Improvements, Net	21,392,485	--	21,392,485
1530	Furniture and Equipment, Net	987,164	--	987,164
1000	Total Assets	<u>32,224,467</u>	<u>--</u>	<u>32,224,467</u>
LIABILITIES:				
2110	Accounts Payable	317,719	--	317,719
2140	Interest Payable	39,338	--	39,338
2165	Accrued Liabilities	755,742	--	755,742
2180	Due to Other Governments	5,207	--	5,207
2300	Unearned Revenue	22,869	--	22,869
Noncurrent Liabilities:				
2501	Due Within One Year	678,928	--	678,928
2502	Due in More Than One Year	18,897,226	--	18,897,226
2000	Total Liabilities	<u>20,717,029</u>	<u>--</u>	<u>20,717,029</u>
NET ASSETS				
3200	Invested in Capital Assets, Net of Related Debt	4,334,871	--	4,334,871
Restricted For:				
3820	State and Federal Programs	313,687	--	313,687
3850	Debt Service	425,801	--	425,801
3870	Campus Activities	75,633	--	75,633
3900	Unrestricted	6,357,446	--	6,357,446
3000	Total Net Assets	<u>\$ 11,507,438</u>	<u>\$ --</u>	<u>\$ 11,507,438</u>

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues	
			Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 12,031,023	\$ 282,234	\$ 1,711,279
12	Instructional Resources and Media Services	537,924	--	98,463
13	Curriculum and Staff Development	339,577	--	197,000
21	Instructional Leadership	93,974	--	4,752
23	School Leadership	1,208,550	--	65,286
31	Guidance, Counseling, & Evaluation Services	595,872	--	189,496
33	Health Services	268,060	--	17,274
34	Student Transportation	963,365	--	42,318
35	Food Service	1,298,681	322,610	1,010,165
36	Cocurricular/Extracurricular Activities	1,567,235	88,497	41,643
41	General Administration	560,009	--	22,170
51	Plant Maintenance and Operations	2,132,444	14,351	65,061
52	Security and Monitoring Services	149,599	--	127
53	Data Processing Services	119,059	--	4,505
61	Community Services	38,212	--	9,264
72	Interest on Long-term Debt	882,493	--	--
73	Bond Issuance Costs and Fees	6,034	--	--
81	Capital Outlay	9,166	--	--
93	Payments Related to Shared Services Arrangements	495,292	--	--
99	Other Intergovernmental Charges	215,194	--	--
TG	Total Governmental Activities	<u>23,511,763</u>	<u>707,692</u>	<u>3,478,803</u>
	Business-type Activities:			
TP	Total Primary Government	<u>\$ 23,511,763</u>	<u>\$ 707,692</u>	<u>\$ 3,478,803</u>
	General Revenues:			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
IE	Investment Earnings			
GC	Grants and Contributions Not Restricted to Specific Programs			
MI	Miscellaneous			
FR	Transfers			
TR	Total General Revenues			
CN	Change in Net Assets			
NB	Net Assets - Beginning			
NE	Net Assets - Ending			

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (10,037,510)		\$ (10,037,510)
(439,461)		(439,461)
(142,577)		(142,577)
(89,222)		(89,222)
(1,143,264)		(1,143,264)
(406,376)		(406,376)
(250,786)		(250,786)
(921,047)		(921,047)
34,094		34,094
(1,437,095)		(1,437,095)
(537,839)		(537,839)
(2,053,032)		(2,053,032)
(149,472)		(149,472)
(114,554)		(114,554)
(28,948)		(28,948)
(882,493)		(882,493)
(6,034)		(6,034)
(9,166)		(9,166)
(495,292)		(495,292)
(215,194)		(215,194)
<u>(19,325,268)</u>		<u>(19,325,268)</u>
<u>(19,325,268)</u>	<u>--</u>	<u>(19,325,268)</u>
9,082,034	--	9,082,034
1,333,286	--	1,333,286
53,215	--	53,215
8,634,775	--	8,634,775
184,888	--	184,888
57,504	(57,504)	--
<u>19,345,702</u>	<u>(57,504)</u>	<u>19,288,198</u>
20,434	(57,504)	(37,070)
11,487,004	57,504	11,544,508
<u>\$ 11,507,438</u>	<u>\$ --</u>	<u>\$ 11,507,438</u>

GILMER INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110 Cash and Cash Equivalents	\$ 1,994,685	\$ 423,409	\$ 2,418,094
1120 Current Investments	2,578,826	278,612	2,857,438
1225 Taxes Receivable, Net	1,209,869	128,748	1,338,617
1240 Due from Other Governments	1,114,562	263,146	1,377,708
1250 Accrued Interest	1,747	--	1,747
1260 Due from Other Funds	152,602	--	152,602
1300 Inventories	7,128	27,095	34,223
1000 Total Assets	<u>\$ 7,059,419</u>	<u>\$ 1,121,010</u>	<u>\$ 8,180,429</u>
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ 154,804	\$ 47,140	\$ 201,944
2150 Payroll Deductions & Withholdings	738	--	738
2160 Accrued Wages Payable	663,926	91,078	755,004
2170 Due to Other Funds	--	152,602	152,602
2180 Due to Other Governments	5,207	--	5,207
2300 Unearned Revenue	1,217,668	143,817	1,361,485
2000 Total Liabilities	<u>2,042,343</u>	<u>434,637</u>	<u>2,476,980</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 Inventories	7,128	17,985	25,113
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	295,702	295,702
3480 Retirement of Long-Term Debt	--	297,053	297,053
Committed Fund Balances:			
3510 Construction	2,000,000	--	2,000,000
3545 Other Committed Fund Balance	500,000	75,633	575,633
3600 Unassigned	2,509,948	--	2,509,948
3000 Total Fund Balances	<u>5,017,076</u>	<u>686,373</u>	<u>5,703,449</u>
4000 Total Liabilities and Fund Balances	<u>\$ 7,059,419</u>	<u>\$ 1,121,010</u>	<u>\$ 8,180,429</u>

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2011**

Total fund balances - governmental funds balance sheet	\$ 5,703,449
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	23,599,668
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,338,617
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	313,975
Payables for bond principal which are not due in the current period are not reported in the funds.	(19,065,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(39,338)
Payables for notes which are not due in the current period are not reported in the funds.	(511,154)
Prepaid insurance is not reported in the funds.	63,965
Bond issuance costs are not reported in the funds.	103,257
Rounding difference	(1)
Net assets of governmental activities - Statement of Net Assets	\$ <u>11,507,438</u>

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 9,441,809	\$ 1,828,074	\$ 11,269,883
5800 State Program Revenues	8,830,067	337,605	9,167,672
5900 Federal Program Revenues	72,049	2,873,857	2,945,906
5020 Total Revenues	<u>18,343,925</u>	<u>5,039,536</u>	<u>23,383,461</u>
EXPENDITURES:			
Current:			
0011 Instruction	9,533,389	1,740,757	11,274,146
0012 Instructional Resources and Media Services	445,018	72,735	517,753
0013 Curriculum and Staff Development	149,397	190,604	340,001
0021 Instructional Leadership	94,175	--	94,175
0023 School Leadership	1,198,795	3,909	1,202,704
0031 Guidance, Counseling, & Evaluation Services	362,626	233,544	596,170
0033 Health Services	265,511	400	265,911
0034 Student Transportation	938,375	--	938,375
0035 Food Service	--	1,245,771	1,245,771
0036 Cocurricular/Extracurricular Activities	1,355,032	4,000	1,359,032
0041 General Administration	555,336	--	555,336
0051 Plant Maintenance and Operations	2,004,933	102,861	2,107,794
0052 Security and Monitoring Services	145,011	--	145,011
0053 Data Processing Services	117,357	--	117,357
0061 Community Services	30,386	7,841	38,227
0071 Principal on Long-term Debt	206,511	495,000	701,511
0072 Interest on Long-term Debt	26,004	858,762	884,766
0073 Bond Issuance Costs and Fees	--	1,173	1,173
0081 Capital Outlay	147,932	--	147,932
0093 Payments to Shared Service Arrangements	495,292	--	495,292
0099 Other Intergovernmental Charges	215,194	--	215,194
6030 Total Expenditures	<u>18,286,274</u>	<u>4,957,357</u>	<u>23,243,631</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>57,651</u>	<u>82,179</u>	<u>139,830</u>
Other Financing Sources and (Uses):			
7915 Transfers In	26,074	32,504	58,578
8911 Transfers Out	--	(1,074)	(1,074)
7080 Total Other Financing Sources and (Uses)	<u>26,074</u>	<u>31,430</u>	<u>57,504</u>
1200 Net Change in Fund Balances	<u>83,725</u>	<u>113,609</u>	<u>197,334</u>
0100 Fund Balances - Beginning	4,933,351	572,764	5,506,115
3000 Fund Balances - Ending	<u>\$ 5,017,076</u>	<u>\$ 686,373</u>	<u>\$ 5,703,449</u>

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011

Net change in fund balances - total governmental funds	\$ 197,334
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	195,842
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,213,938)
The gain or loss on the sale of capital assets is not reported in the funds.	4,335
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(4,335)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	91,232
Change in prepaid insurance from beginning of period to end of period.	(11,983)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	495,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	206,511
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(4,861)
(Increase) decrease in accrued interest from beginning of period to end of period.	2,273
The net revenue (expense) of internal service funds is reported with governmental activities.	63,024
Change in net assets of governmental activities - Statement of Activities	\$ <u>20,434</u>

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

AUGUST 31, 2011

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		Construction Trades	Insurance Fund
ASSETS:			
	Current Assets:		
1110	Cash and Cash Equivalents	\$ --	\$ 429,750
	Total Current Assets	--	429,750
1000	Total Assets	\$ --	\$ 429,750
LIABILITIES:			
	Current Liabilities:		
2110	Accounts Payable	\$ --	\$ 115,775
	Total Current Liabilities	--	115,775
2000	Total Liabilities	--	115,775
NET ASSETS:			
3900	Unrestricted Net Assets	--	313,975
3000	Total Net Assets	\$ --	\$ 313,975

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		Construction Trades	Insurance Fund
	OPERATING REVENUES:		
5700	Local and Intermediate Sources	\$ --	\$ 101,334
5020	Total Revenues	--	101,334
	OPERATING EXPENSES:		
6400	Other Operating Costs	--	38,310
6030	Total Expenses	--	38,310
	Income (Loss) before Contributions and Transfers	--	63,024
8911	Transfers Out	(57,504)	--
1300	Change in Net Assets	(57,504)	63,024
0100	Total Net Assets - Beginning	57,504	250,951
3300	Total Net Assets - Ending	\$ --	\$ 313,975

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2011

	Enterprise Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash Receipts (Payments) for Interfund Services Provided and Used	\$ --	\$ 101,334
Cash Payments to Other Suppliers for Goods and Services	--	(60,468)
Net Cash Provided (Used) by Operating Activities	--	40,866
Cash Flows from Non-capital Financing Activities:		
Transfers From (To) Other Funds	(57,504)	--
Net Cash Provided (Used) by Non-capital Financing Activities	(57,504)	--
Cash Flows from Capital and Related Financing Activities:		
Contributed Capital	--	--
Net Cash Provided (Used) for Capital & Related Financing Activities	--	--
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	--	--
Net Cash Provided (Used) for Investing Activities	--	--
Net Increase (Decrease) in Cash and Cash Equivalents	(57,504)	40,866
Cash and Cash Equivalents at Beginning of Year	57,504	388,884
Cash and Cash Equivalents at End of Year	\$ --	\$ 429,750
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ --	\$ 63,024
Change in Assets and Liabilities:		
Increase (Decrease) in Accounts Payable	--	(22,158)
Total Adjustments	--	(22,158)
Net Cash Provided (Used) by Operating Activities	\$ --	\$ 40,866

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

AUGUST 31, 2011

			Agency Funds
Data Control Codes		Private-purpose Trust Funds	Student Activity
ASSETS:			
1110	Cash and Cash Equivalents	\$ 26,507	\$ 47,758
1120	Current Investments	75,657	--
1250	Accrued Interest	29	--
1800	Restricted Assets	265,145	--
1000	Total Assets	<u>\$ 367,338</u>	<u>\$ 47,758</u>
LIABILITIES:			
Current Liabilities:			
2190	Due to Student Groups	<u>\$ --</u>	<u>\$ 47,758</u>
2000	Total Liabilities	<u>--</u>	<u>47,758</u>
NET ASSETS			
3800	Held in Trust	367,338	--
3000	Total Net Assets	<u>\$ 367,338</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

	Private- Purpose Trusts
Additions:	
Gifts and Bequests	\$ 18,314
Net (Decrease) in Fair Value of Investments	36,973
Total Additions	<u>55,287</u>
Deductions:	
Scholarship Awards	18,900
Total Deductions	<u>18,900</u>
Change in Net Assets	36,387
Net Assets-Beginning of the Year	330,951
Net Assets-End of the Year	<u><u>\$ 367,338</u></u>

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports the following major governmental fund:

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

In addition, the District reports the following fund types:

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

Internal Service Fund: The District utilizes an internal service fund to account for its workers compensation pool.

Private-Purpose Trust Funds: These funds are used to report scholarship funds administered by the District.

Agency Funds: This fund is used to report student activity funds held in a purely custodial capacity (assets equal liabilities).

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected more than 60 days after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

b. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible taxes at August 31, 2011 is \$573,691.

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30
Building Improvements	20
Vehicles	10
Furniture & Equipment	5-10

e. Receivable and Payable Balances

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

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

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents inventory amount that cannot be spent because it is not in spendable form.

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

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

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

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,922,108 and the bank balance was \$3,259,566. The District's cash deposits at August 31, 2011 and during the year ended August 31, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The District's investments at August 31, 2011 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	60 days or less	\$ 812,749
Certificate of Deposit	02/11/2012	2,044,689
Certificate of Deposit	05/18/2012	75,657
Total Investments		<u>\$ 2,933,095</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2011, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>S&P Rating</u>
Lone Star Investment Pool	AAAm

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

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

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,220,019	\$ --	\$ --	\$ 1,220,019
Total capital assets not being depreciated	1,220,019	--	--	1,220,019
Capital assets being depreciated:				
Buildings and improvements	37,328,405	138,766	--	37,467,171
Furniture and equipment	1,359,817	57,076	--	1,416,893
Vehicles	2,342,495	--	91,930	2,250,565
Total capital assets being depreciated	41,030,717	195,842	91,930	41,134,629
Less accumulated depreciation for:				
Buildings and improvements	(15,029,690)	(1,044,996)	--	(16,074,686)
Furniture and equipment	(969,839)	(68,005)	--	(1,037,844)
Vehicles	(1,633,443)	(100,937)	(91,930)	(1,642,450)
Total accumulated depreciation	(17,632,972)	(1,213,938)	(91,930)	(18,754,980)
Total capital assets being depreciated, net	23,397,745	(1,018,096)	--	22,379,649
Governmental activities capital assets, net	\$ 24,617,764	\$ (1,018,096)	\$ --	\$ 23,599,668

GILMER INDEPENDENT SCHOOL DISTRICT
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Depreciation was charged to functions as follows:

Instruction	\$	779,814
Instructional Resources and Media Services		21,174
School Leadership		8,057
Guidance, Counseling, & Evaluation Services		975
Health Services		2,726
Student Transportation		84,320
Food Services		59,896
Extracurricular Activities		210,013
General Administration		5,276
Plant Maintenance and Operations		35,272
Security and Monitoring Services		4,665
Data Processing Services		1,750
	\$	<u>1,213,938</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2011, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 152,602	Short-term loans
	Total	<u>\$ 152,602</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2011, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Other Governmental Funds	General Fund	\$ 1,074	Reimburse expenditures
Enterprise Fund	General Fund	25,000	Close construction trades fund
Enterprise Fund	Other Governmental Funds	32,504	Close construction trades fund
	Total	<u>\$ 58,578</u>	

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2011, are as follows:

GILMER INDEPENDENT SCHOOL DISTRICT
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	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 19,560,000	\$ --	\$ 495,000	\$ 19,065,000	\$ 520,000
Notes	717,665	--	206,511	511,154	158,928
Total governmental activities	<u>\$ 20,277,665</u>	<u>\$ --</u>	<u>\$ 701,511</u>	<u>\$ 19,576,154</u>	<u>\$ 678,928</u>

2. Notes Payable

Local Government Code Section 271.005 gives the District the authority to enter into installment agreements for the purchase of personal property.

The District entered into a loan agreement with Gilmer National Bank on May 6, 2002, to finance an energy management project. The original amount of the loan was \$740,000. On January 23, 2007, the District entered into a loan agreement with First National Bank of Gilmer for the purchase of vehicles. The original amount of the loan was \$500,000. On April 30, 2009, the District entered into an additional loan agreement with First National Bank of Gilmer for the purpose of capital improvements and equipment purchases. The original amount of the loan was \$250,000.

Notes payable currently outstanding are as follows:

<u>Purpose:</u>	Interest Rates	Maturity Date	Amount
Governmental Activities - Energy Management Project	5.25%	5/06/2017	\$ 311,357
Governmental Activities - Vehicle Purchases	3.98%	1/27/2012	49,799
Governmental Activities - Capital Purchases	2.988%	4/30/2014	149,998
			<u>\$ 511,154</u>

3. Bonds Payable

Bonds payable currently outstanding are as follows:

<u>Title of Issue:</u>	Interest Rates	Maturity Date	Amount
Series 2003 Unlimited Tax School Building Bonds	3.55-5.00%	2/15/2033	\$ 8,695,000
Series 2004 Unlimited Tax School Building Bonds	4.00-6.00%	2/15/2033	7,745,000
Series 2005 Unlimited Tax School Building Bonds	4.25-6.00%	2/15/2032	2,625,000
			<u>\$ 19,065,000</u>

4. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2011, are as follows:

<u>Year Ending August 31,</u>	Governmental Activities		
	Principal	Interest	Total
2012	\$ 678,928	\$ 848,409	\$ 1,527,337
2013	661,845	813,385	1,475,230
2014	694,684	779,326	1,474,010
2015	672,657	746,114	1,418,771
2016	693,040	713,339	1,406,379
2017-2021	3,630,000	3,122,324	6,752,324
2022-2026	4,490,000	2,273,379	6,763,379
2027-2031	5,605,000	1,175,768	6,780,768
2032-2036	2,450,000	104,804	2,554,804
Totals	<u>\$ 19,576,154</u>	<u>\$ 10,576,848</u>	<u>\$ 30,153,002</u>

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

The 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, 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 downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

2. Funding Policy

Contribution requirements are not actuarially determined but are 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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% 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 particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011-2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2011, 2010 and 2009 were \$853,039, \$856,709 and \$811,636, respectively. The District paid additional state contributions for the years ending August 31, 2011, 2010 and 2009 in the amount of \$123,868, \$104,791 and \$100,160, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

I. Retiree Health Care Plan

1. Plan Description

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

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

2. 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 and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. 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, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$135,354, \$135,430, and \$128,236, respectively, the active member contributions were \$87,980, \$88,030, and \$83,353, respectively, and the District's contributions were \$74,448, \$74,487, and \$70,530, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2011, 2010, and 2009, the subsidy payments received by TRS-Care on behalf of the District were \$36,329, \$33,751, and \$29,773, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2011, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 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 Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2011, and terms of coverage and premium costs are included in the contractual provisions.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2011.

L. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for special education and alternative education with the following school districts:

GILMER INDEPENDENT SCHOOL DISTRICT
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<u>Special Education</u>	<u>Alternative Education</u>
Big Sandy ISD	Big Sandy ISD
Harmony ISD	Harmony ISD
New Diana ISD	New Diana ISD
Union Grove ISD	Union Grove ISD
Union Hill ISD	Union Hill ISD
	Ore City ISD

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

M. Subsequent Events

Management has evaluated subsequent events through December 1, 2011, the date on which the financial statements were available to be issued.

N. Workers Compensation Coverage

The District joined together with other school districts in the East Texas area to form the East Texas Educational Insurance Association, a public entity risk pool currently operating a workers' compensation risk management and insurance program for various member school districts. Total workers' compensation claims paid amounted to \$9,074 for current year claims and \$18,237 for claims incurred in prior years. When and if other schools in the Association exceed their annual loss fund maximums, the District will be required to pay a percentage share of the excess.

A reconciliation of changes in the liability for claims for the current and prior fiscal year is presented below:

	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Paid</u>	<u>Ending Balance</u>
Year Ended August 31, 2011	\$ 137,933	\$ 5,153	\$ 27,311	\$ 115,775
Year Ended August 31, 2010	88,361	107,436	57,864	137,933

O. Committed Fund Balance

Other committed fund balance consists of the following:

General Fund - committed for roof replacements	\$ 500,000
Other Governmental Funds - committed for campus activities	75,633

Required Supplementary Information

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

GILMER INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
	REVENUES:				
5700	Local and Intermediate Sources	\$ 9,502,974	\$ 9,555,974	\$ 9,441,809	\$ (114,165)
5800	State Program Revenues	8,484,750	8,797,756	8,830,067	32,311
5900	Federal Program Revenues	51,000	77,830	72,049	(5,781)
5020	Total Revenues	18,038,724	18,431,560	18,343,925	(87,635)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	9,583,188	9,775,662	9,533,389	242,273
0012	Instructional Resources and Media Services	464,451	468,957	445,018	23,939
0013	Curriculum and Staff Development	204,238	160,071	149,397	10,674
	Total Instruction & Instr. Related Services	10,251,877	10,404,690	10,127,804	276,886
	Instructional and School Leadership:				
0021	Instructional Leadership	92,385	104,082	94,175	9,907
0023	School Leadership	1,177,595	1,236,624	1,198,795	37,829
	Total Instructional & School Leadership	1,269,980	1,340,706	1,292,970	47,736
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	376,261	403,287	362,626	40,661
0033	Health Services	263,026	270,011	265,511	4,500
0034	Student (Pupil) Transportation	904,530	985,404	938,375	47,029
0036	Cocurricular/Extracurricular Activities	1,268,503	1,408,473	1,355,032	53,441
	Total Support Services - Student (Pupil)	2,812,320	3,067,175	2,921,544	145,631
	Administrative Support Services:				
0041	General Administration	570,598	577,378	555,336	22,042
	Total Administrative Support Services	570,598	577,378	555,336	22,042
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	1,864,266	2,045,008	2,004,933	40,075
0052	Security and Monitoring Services	143,099	154,450	145,011	9,439
0053	Data Processing Services	121,133	125,264	117,357	7,907
	Total Support Services - Nonstudent Based	2,128,498	2,324,722	2,267,301	57,421
	Ancillary Services:				
0061	Community Services	29,951	35,955	30,386	5,569
	Total Ancillary Services	29,951	35,955	30,386	5,569
	Debt Service:				
0071	Principal on Long-Term Debt	206,945	206,945	206,511	434
0072	Interest on Long-Term Debt	6,000	6,000	4,965	1,035
0073	Bond Issuance Costs and Fees	24,055	24,055	21,039	3,016
	Total Debt Service	237,000	237,000	232,515	4,485
	Capital Outlay:				
0081	Capital Outlay	16,500	154,500	147,932	6,568
	Total Capital Outlay	16,500	154,500	147,932	6,568
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	497,000	497,000	495,292	1,708
0099	Other Intergovernmental Charges	225,000	216,000	215,194	806

GILMER INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Total Intergovernmental Charges	<u>722,000</u>	<u>713,000</u>	<u>710,486</u>	<u>2,514</u>
6030	Total Expenditures	<u>18,038,724</u>	<u>18,855,126</u>	<u>18,286,274</u>	<u>568,852</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>(423,566)</u>	<u>57,651</u>	<u>481,217</u>
	Other Financing Sources (Uses):				
7915	Transfers In	<u>--</u>	<u>--</u>	<u>26,074</u>	<u>26,074</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>26,074</u>	<u>26,074</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>(423,566)</u>	<u>83,725</u>	<u>507,291</u>
0100	Fund Balance - Beginning	<u>4,933,351</u>	<u>4,933,351</u>	<u>4,933,351</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 4,933,351</u>	<u>\$ 4,509,785</u>	<u>\$ 5,017,076</u>	<u>\$ 507,291</u>

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Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2011

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:				
1110	Cash and Cash Equivalents	\$ 404,968	\$ 18,441	\$ 423,409
1120	Current Investments	--	278,612	278,612
1225	Taxes Receivable, Net	--	128,748	128,748
1240	Due from Other Governments	263,146	--	263,146
1300	Inventories	27,095	--	27,095
1000	Total Assets	<u>\$ 695,209</u>	<u>\$ 425,801</u>	<u>\$ 1,121,010</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 47,140	\$ --	\$ 47,140
2160	Accrued Wages Payable	91,078	--	91,078
2170	Due to Other Funds	152,602	--	152,602
2300	Unearned Revenue	15,069	128,748	143,817
2000	Total Liabilities	<u>305,889</u>	<u>128,748</u>	<u>434,637</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410	Inventories	17,985	--	17,985
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	295,702	--	295,702
3480	Retirement of Long-Term Debt	--	297,053	297,053
Committed Fund Balances:				
3545	Other Committed Fund Balance	75,633	--	75,633
3000	Total Fund Balances	<u>389,320</u>	<u>297,053</u>	<u>686,373</u>
4000	Total Liabilities and Fund Balances	<u>\$ 695,209</u>	<u>\$ 425,801</u>	<u>\$ 1,121,010</u>

GILMER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:				
5700	Local and Intermediate Sources	\$ 493,561	\$ 1,334,513	\$ 1,828,074
5800	State Program Revenues	337,605	--	337,605
5900	Federal Program Revenues	2,873,857	--	2,873,857
5020	Total Revenues	<u>3,705,023</u>	<u>1,334,513</u>	<u>5,039,536</u>
EXPENDITURES:				
Current:				
0011	Instruction	1,740,757	--	1,740,757
0012	Instructional Resources and Media Services	72,735	--	72,735
0013	Curriculum and Staff Development	190,604	--	190,604
0023	School Leadership	3,909	--	3,909
0031	Guidance, Counseling, & Evaluation Services	233,544	--	233,544
0033	Health Services	400	--	400
0035	Food Service	1,245,771	--	1,245,771
0036	Cocurricular/Extracurricular Activities	4,000	--	4,000
0051	Plant Maintenance and Operations	102,861	--	102,861
0061	Community Services	7,841	--	7,841
0071	Principal on Long-term Debt	--	495,000	495,000
0072	Interest on Long-term Debt	--	858,762	858,762
0073	Bond Issuance Costs and Fees	--	1,173	1,173
6030	Total Expenditures	<u>3,602,422</u>	<u>1,354,935</u>	<u>4,957,357</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>102,601</u>	<u>(20,422)</u>	<u>82,179</u>
Other Financing Sources and (Uses):				
7915	Transfers In	32,504	--	32,504
8911	Transfers Out	(1,074)	--	(1,074)
7080	Total Other Financing Sources and (Uses)	<u>31,430</u>	<u>--</u>	<u>31,430</u>
1200	Net Change in Fund Balances	<u>134,031</u>	<u>(20,422)</u>	<u>113,609</u>
0100	Fund Balances - Beginning	255,289	317,475	572,764
3000	Fund Balances - Ending	<u>\$ 389,320</u>	<u>\$ 297,053</u>	<u>\$ 686,373</u>

GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
ASSETS:					
1110	Cash and Cash Equivalents	\$ 1,247	\$ 2,270	\$ --	\$ 322,129
1240	Due from Other Governments	97,812	17,910	1,444	37,662
1300	Inventories	--	--	--	27,095
1000	Total Assets	<u>\$ 99,059</u>	<u>\$ 20,180</u>	<u>\$ 1,444</u>	<u>\$ 386,886</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 1,837	\$ --	\$ --	\$ 45,303
2160	Accrued Wages Payable	29,129	17,910	1,444	18,786
2170	Due to Other Funds	68,093	--	--	--
2300	Unearned Revenue	--	2,270	--	9,110
2000	Total Liabilities	<u>99,059</u>	<u>20,180</u>	<u>1,444</u>	<u>73,199</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	17,985
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	295,702
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>313,687</u>
4000	Total Liabilities and Fund Balances	<u>\$ 99,059</u>	<u>\$ 20,180</u>	<u>\$ 1,444</u>	<u>\$ 386,886</u>

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	266 ARRA of 2009 Title XIV State Fiscal Stabilization	285 Title I Part A Improving Basic Programs - ARRA
\$ --	\$ --	\$ --	\$ --	\$ --
--	4,189	--	17,265	2,935
--	--	--	--	--
<u>\$ --</u>	<u>\$ 4,189</u>	<u>\$ --</u>	<u>\$ 17,265</u>	<u>\$ 2,935</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	4,189	--	17,265	2,935
--	--	--	--	--
<u>--</u>	<u>4,189</u>	<u>--</u>	<u>17,265</u>	<u>2,935</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>\$ --</u>	<u>\$ 4,189</u>	<u>\$ --</u>	<u>\$ 17,265</u>	<u>\$ 2,935</u>

GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes		287 Education Jobs Fund	289 Summer School LEP	397 Advanced Placement Incentives	404 Student Success Initiative
	ASSETS:				
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ 3,689	\$ --
1240	Due from Other Governments	23,809	--	--	--
1300	Inventories	--	--	--	--
1000	Total Assets	<u>\$ 23,809</u>	<u>\$ --</u>	<u>\$ 3,689</u>	<u>\$ --</u>
	LIABILITIES:				
	Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ --
2160	Accrued Wages Payable	23,809	--	--	--
2170	Due to Other Funds	--	--	--	--
2300	Unearned Revenue	--	--	3,689	--
2000	Total Liabilities	<u>23,809</u>	<u>--</u>	<u>3,689</u>	<u>--</u>
	FUND BALANCES:				
	Nonspendable Fund Balances:				
3410	Inventories	--	--	--	--
	Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	--	--
	Committed Fund Balances:				
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 23,809</u>	<u>\$ --</u>	<u>\$ 3,689</u>	<u>\$ --</u>

411 Technology Allotment	415 Kindergarten and Prekindergarten Grants	426 Texas Educator Excellence Award Program	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ --	\$ --	\$ 75,633	\$ 404,968
--	--	60,120	--	263,146
--	--	--	--	27,095
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 60,120</u>	<u>\$ 75,633</u>	<u>\$ 695,209</u>
\$ --	\$ --	\$ --	\$ --	\$ 47,140
--	--	--	--	91,078
--	--	60,120	--	152,602
--	--	--	--	15,069
<u>--</u>	<u>--</u>	<u>60,120</u>	<u>--</u>	<u>305,889</u>
--	--	--	--	17,985
--	--	--	--	295,702
--	--	--	75,633	75,633
<u>--</u>	<u>--</u>	<u>--</u>	<u>75,633</u>	<u>389,320</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 60,120</u>	<u>\$ 75,633</u>	<u>\$ 695,209</u>

GILMER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 337,842
5800	State Program Revenues	--	--	--	11,127
5900	Federal Program Revenues	680,441	272,918	22,379	998,439
5020	Total Revenues	680,441	272,918	22,379	1,347,408
EXPENDITURES:					
Current:					
0011	Instruction	526,696	268,918	22,379	--
0012	Instructional Resources and Media Services	5,000	--	--	--
0013	Curriculum and Staff Development	16,252	--	--	--
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	124,786	--	--	--
0033	Health Services	--	--	--	--
0035	Food Service	--	--	--	1,245,171
0036	Cocurricular/Extracurricular Activities	--	4,000	--	--
0051	Plant Maintenance and Operations	--	--	--	--
0061	Community Services	7,707	--	--	--
6030	Total Expenditures	680,441	272,918	22,379	1,245,171
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	--	102,237
Other Financing Sources and (Uses):					
7915	Transfers In	--	--	--	--
8911	Transfers Out	--	--	--	--
7080	Total Other Financing Sources and (Uses)	--	--	--	--
1200	Net Change in Fund Balances	--	--	--	102,237
0100	Fund Balances - Beginning	--	--	--	211,450
3000	Fund Balances - Ending	\$ --	\$ --	\$ --	\$ 313,687

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	266 ARRA of 2009 Title XIV State Fiscal Stabilization	285 Title 1 Part A Improving Basic Programs - ARRA
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
27,504	166,917	13,228	627,322	39,826
27,504	166,917	13,228	627,322	39,826
24,002	--	9,212	455,129	--
--	--	--	1,000	--
3,502	164,008	3,882	--	--
--	2,909	--	--	--
--	--	--	68,932	39,826
--	--	--	--	--
--	--	--	--	--
--	--	--	102,261	--
--	--	134	--	--
27,504	166,917	13,228	627,322	39,826
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

GILMER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		287 Education Jobs Fund	289 Summer School LEP	397 Advanced Placement Incentives	404 Student Success Initiative
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800	State Program Revenues	--	--	3,000	44,004
5900	Federal Program Revenues	23,809	1,074	--	--
5020	Total Revenues	<u>23,809</u>	<u>1,074</u>	<u>3,000</u>	<u>44,004</u>
EXPENDITURES:					
Current:					
0011	Instruction	20,277	--	1,840	42,204
0012	Instructional Resources and Media Services	3,532	--	--	--
0013	Curriculum and Staff Development	--	--	1,160	1,800
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	--
0033	Health Services	--	--	--	--
0035	Food Service	--	--	--	--
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0051	Plant Maintenance and Operations	--	--	--	--
0061	Community Services	--	--	--	--
6030	Total Expenditures	<u>23,809</u>	<u>--</u>	<u>3,000</u>	<u>44,004</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>1,074</u>	<u>--</u>	<u>--</u>
Other Financing Sources and (Uses):					
7915	Transfers In	--	--	--	--
8911	Transfers Out	--	(1,074)	--	--
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>(1,074)</u>	<u>--</u>	<u>--</u>
1200	Net Change in Fund Balances	--	--	--	--
0100	Fund Balances - Beginning	--	--	--	--
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

411 Technology Allotment	415 Kindergarten and Prekindergarten Grants	426 Texas Educator Excellence Award Program	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ --	\$ --	\$ 155,719	\$ 493,561
61,707	108,000	109,767	--	337,605
--	--	--	--	2,873,857
<u>61,707</u>	<u>108,000</u>	<u>109,767</u>	<u>155,719</u>	<u>3,705,023</u>
--	108,000	106,767	155,333	1,740,757
62,803	--	400	--	72,735
--	--	--	--	190,604
--	--	1,000	--	3,909
--	--	--	--	233,544
--	--	400	--	400
--	--	600	--	1,245,771
--	--	--	--	4,000
--	--	600	--	102,861
--	--	--	--	7,841
<u>62,803</u>	<u>108,000</u>	<u>109,767</u>	<u>155,333</u>	<u>3,602,422</u>
(1,096)	--	--	386	102,601
--	--	--	32,504	32,504
--	--	--	--	(1,074)
--	--	--	32,504	31,430
<u>(1,096)</u>	<u>--</u>	<u>--</u>	<u>32,890</u>	<u>134,031</u>
1,096	--	--	42,743	255,289
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 75,633</u>	<u>\$ 389,320</u>

GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

PRIVATE-PURPOSE TRUST FUNDS

AUGUST 31, 2011

Data Control Codes	809 Scholarship Fund	836 Scholarship Fund	Total Private- Purpose Trust Funds (See Exhibit E-1)
ASSETS:			
1110 Cash and Cash Equivalents	\$ 18,387	\$ 8,120	\$ 26,507
1120 Current Investments	--	75,657	75,657
1250 Accrued Interest	--	29	29
1800 Restricted Assets	--	265,145	265,145
1000 Total Assets	<u>\$ 18,387</u>	<u>\$ 348,951</u>	<u>\$ 367,338</u>
LIABILITIES:			
2000 Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
NET ASSETS			
3800 Held in Trust	\$ 18,387	\$ 348,951	\$ 367,338
3000 Total Net Assets	<u>\$ 18,387</u>	<u>\$ 348,951</u>	<u>\$ 367,338</u>

GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

ALL PRIVATE-PURPOSE TRUST FUNDS

FOR THE YEAR ENDED AUGUST 31, 2011

	809	836	Total Private-Purpose Trust Funds (See Exhibit E-2)
	Scholarship Fund	Scholarship Fund	
Additions:			
Gifts & Bequests	\$ 18,314	\$ --	\$ 18,314
Net (Decrease) in Fair Value of Investments	--	36,973	36,973
Total Additions	18,314	36,973	55,287
Deductions:			
Scholarship Awards	8,250	10,650	18,900
Total Deductions	8,250	10,650	18,900
Change in Net Assets	10,064	26,323	36,387
Net Assets-Beginning of the Year	8,323	322,628	330,951
Net Assets-End of the Year	\$ 18,387	\$ 348,951	\$ 367,338

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Other Supplementary Information

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

GILMER INDEPENDENT SCHOOL DISTRICTSCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2011

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2002 and Prior Years	\$	Various	\$	Various	\$	Various
2003		1.46		--		581,447,397
2004		1.46		--		533,983,767
2005		1.385		.213		595,783,800
2006		1.4445		.165		655,379,366
2007		1.32		.165		800,332,391
2008		1.04		.158		844,308,431
2009		1.04		.158		929,784,307
2010		1.04		.155		900,373,640
2011 (School Year Under Audit)		1.04		.155		865,373,640

1000 Totals

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

10 Beginning Balance 9/1/10	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/11
\$ 364,593	\$ --	\$ 13,707	\$ 968	\$ (15,663)	\$ 334,255
64,132	--	3,625	--	(1,887)	58,620
72,010	--	5,852	--	(1,883)	64,275
80,576	--	8,639	1,329	(1,846)	68,762
113,799	--	14,744	1,684	(2,134)	95,237
205,629	--	20,889	2,612	(4,300)	177,828
226,975	--	31,709	4,817	(3,800)	186,649
267,290	--	53,166	8,076	(11,260)	194,788
386,973	--	102,591	15,289	(23,635)	245,458
--	10,341,215	8,528,260	1,271,037	(55,482)	486,436
<u>\$ 1,781,977</u>	<u>\$ 10,341,215</u>	<u>\$ 8,783,182</u>	<u>\$ 1,305,812</u>	<u>\$ (121,890)</u>	<u>\$ 1,912,308</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

GILMER INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2012-2013 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2011

FUNCTION 41 - GENERAL ADMINISTRATION AND FUNCTION 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 225,817	\$ 182,419	\$ --	\$ 26,058	\$ 434,294
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	--	--	13,599	--	13,599
6212	Audit Services	--	--	--	17,507	--	--	17,507
6213	Tax Appraisal and Collection	--	215,736	--	--	--	--	215,736
621X	Other Prof. Services	--	--	--	--	2,280	--	2,280
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	--	--	7,639	7,639
6240	Contr. Maint. and Repair	--	--	--	--	322	--	322
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	--	10,624	--	10,624
6290	Miscellaneous Contr.	3,399	--	900	--	--	--	4,299
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	676	--	4,751	4,290	9,489	2,800	22,006
6410	Travel, Subsistence, Stipends	3,039	--	1,680	4,036	81	--	8,836
6420	Ins. and Bonding Costs	--	--	810	--	--	--	810
6430	Election Costs	2,911	--	--	--	--	--	2,911
6490	Miscellaneous Operating	1,136	--	5,180	2,940	20,411	--	29,667
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 11,161 \$ 215,736 \$ 239,138 \$ 211,192 \$ 56,806 \$ 36,497 \$ 770,530

Total Expenditures for General and Special Revenue Funds (9) \$ 21,888,696

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 195,842
Total Debt & Lease (6500)	(11)	\$ 232,515
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 2,107,794
Food (Function 35, 6341 and 6499)	(13)	\$ 589,964
Stipends (6413)	(14)	\$ 6,806
Column 4 (above) - Total Indirect Cost		\$ 211,192

Subtotal 3,344,113

Net Allowed Direct Cost \$ 18,544,583

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 37,467,171
Historical Cost of Buildings over 50 years old	(16)	4,439,131
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	3,667,458
Historical Cost of Furniture & Equipment over 16 years old	(19)	738,654
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 469,050

(8) Note A - No Function 53 expenditures and \$215,194 in Function 99 expenditures are included in this report on administrative costs.

GILMER INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT J-3

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 318,770	\$ 328,770	\$ 337,842	\$ 9,072
5800	State Program Revenues	8,000	14,464	11,127	(3,337)
5900	Federal Program Revenues	771,000	953,640	998,439	44,799
5020	Total Revenues	1,097,770	1,296,874	1,347,408	50,534
EXPENDITURES:					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	1,097,770	1,296,874	1,245,171	51,703
	Total Support Services - Student (Pupil)	1,097,770	1,296,874	1,245,171	51,703
6030	Total Expenditures	1,097,770	1,296,874	1,245,171	51,703
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	102,237	102,237
1200	Net Change in Fund Balance	--	--	102,237	102,237
0100	Fund Balance - Beginning	211,450	211,450	211,450	--
3000	Fund Balance - Ending	\$ 211,450	\$ 211,450	\$ 313,687	\$ 102,237

GILMER INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-4**

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 1,355,762	\$ 1,355,762	\$ 1,334,513	\$ (21,249)
5020	Total Revenues	<u>1,355,762</u>	<u>1,355,762</u>	<u>1,334,513</u>	<u>(21,249)</u>
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Debt	495,000	495,000	495,000	--
0072	Interest on Long-Term Debt	858,762	858,762	858,762	--
0073	Bond Issuance Costs and Fees	2,000	2,000	1,173	827
	Total Debt Service	<u>1,355,762</u>	<u>1,355,762</u>	<u>1,354,935</u>	<u>827</u>
6030	Total Expenditures	<u>1,355,762</u>	<u>1,355,762</u>	<u>1,354,935</u>	<u>827</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	(20,422)	(20,422)
1200	Net Change in Fund Balance	--	--	(20,422)	(20,422)
0100	Fund Balance - Beginning	317,475	317,475	317,475	--
3000	Fund Balance - Ending	<u>\$ 317,475</u>	<u>\$ 317,475</u>	<u>\$ 297,053</u>	<u>\$ (20,422)</u>

KAREN A. JACKS & ASSOCIATES, P.C.

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Independent Auditors' Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
Gilmer Independent School District
500 Trinity Street
Gilmer, Texas 75644

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gilmer Independent School District as of and for the year ended August 31, 2011, which collectively comprise the Gilmer Independent School District's basic financial statements and have issued our report thereon dated December 1, 2011. 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.
December 1, 2011

KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Independent Auditors' Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

Board of Trustees
Gilmer Independent School District
500 Trinity Street
Gilmer, Texas 75644

Members of the Board of Trustees:

Compliance

We have audited Gilmer Independent School District's 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 Gilmer Independent School District's major federal programs for the year ended August 31, 2011. Gilmer Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Gilmer Independent School District's management. Our responsibility is to express an opinion on Gilmer Independent School District's compliance based on our audit.

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 Gilmer Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Gilmer Independent School District's compliance with those requirements.

In our opinion, Gilmer Independent School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Gilmer Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Gilmer Independent School 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 Gilmer Independent School

District's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

December 1, 2011

GILMER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.394	State Fiscal Stabilization Fund (SFSF) - Education
84.367	State Grants, Recovery Act ESEA Title II Part A - Teacher & Principal Training & Recruiting

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

GILMER INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None		

GILMER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

None required.

GILMER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through Upshur County Shared Services Arrangement: IDEA-B Formula *	84.027	116600012309016600	\$ 272,918
IDEA-B Preschool *	84.173	116610012309016610	22,379
Total Passed Through Upshur County Shared Services Arrangement			<u>295,297</u>
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010a	11610101230902	651,312
ESEA Title I Part A - Improving Basic Programs *	84.010a	12610101230902	29,129
Total CFDA Number 84.010			<u>680,441</u>
Career and Technical - Basic Grant	84.048	1142006230902	27,504
Title III Part A English Language Acquisition and Language Enhancement	84.365	11671001230902	13,228
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	11694501230902	166,917
Summer School LEP	84.369A	69551002	1,074
ARRA - ESEA, Title I, Part A - Improving Basic Programs *	84.389	11610101230902	39,826
ARRA of 2009 Title XIV State Fiscal Stabilization Fund *	84.394	11557001230902	627,322
Education Jobs Fund	84.410	11550101230902	23,809
Total Passed Through State Department of Education			<u>1,580,121</u>
Total U. S. Department of Education			<u>1,875,418</u>
U. S. DEPARTMENT OF DEFENSE			
Direct Program:			
ROTC	12.000	230-902	45,219
Total U. S. Department of Defense			<u>45,219</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through Texas Department of Human Services:			
Summer Feeding Program *	10.559	230-902	35,883
Passed Through State Department of Education:			
School Breakfast Program *	10.553	230-902	263,869
Food Distribution (Non-cash) *	10.555	230-902	80,292
National School Lunch Program *	10.555	230-902	618,395
Total CFDA Number 10.555			<u>698,687</u>
Total Passed Through State Department of Education			<u>962,556</u>
Total U. S. Department of Agriculture			<u>998,439</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,919,076</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Gilmer Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note B - Reconciliation of Schedule of Expenditures of Federal Awards to Total Federal Revenues

The accompanying schedule of expenditures of federal awards (SEFA) does not include certain amounts that are federal-source revenues but are not considered "federal financial assistance" for SEFA reporting purposes. A reconciliation follows:

Total Federal Expenditures - Exhibit K-1	\$ 2,919,076
Other Federal Revenue Sources:	
School Health and Related Services (SHARS)	<u>26,830</u>
Total Federal Revenues - Exhibit C-2	\$ <u><u>2,945,906</u></u>

Note C - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At August 31, 2011, the District had food commodities totaling \$9,110 in inventory.

GILMER INDEPENDENT SCHOOL DISTRICTSCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2011

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ --