

**GILMER  
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2012



## Introductory Section

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Gilmer Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2012

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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) X approved \_\_\_\_\_disapproved for the year ended August 31, 2012, at a meeting of the board of trustees of such school district on the 17th day of December, 2012.

**SIGNATURES ON FILE WITH TEXAS EDUCATION AGENCY**

\_\_\_\_\_  
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, 2012, 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 the 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, 2012, 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 11, 2012, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of

preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gilmer Independent School District's financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is also not a required part of the financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the financial statements. The combining fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Karen A. Jacks & Associates, P.C.*

Karen A. Jacks & Associates, P.C.  
December 11, 2012

## 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, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

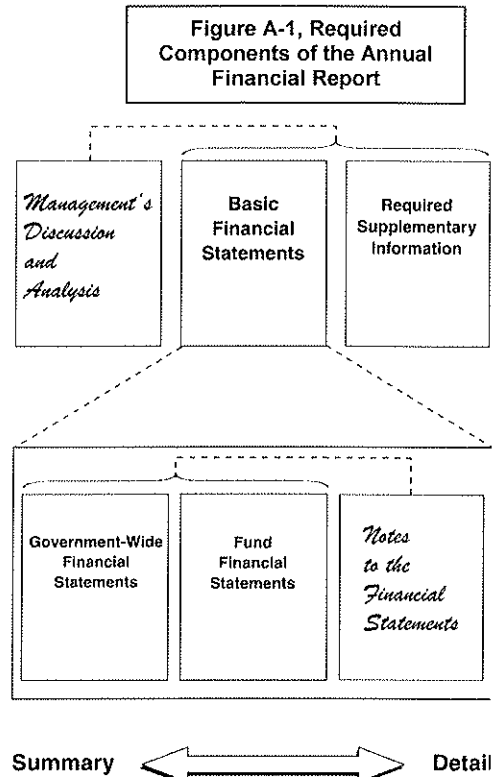
### FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$12,381,408 at August 31, 2012.
- During the year, the District's General Fund expenditures were \$604,470 less than the \$18,132,888 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased by \$1,360,025 from the previous year. The majority of the decrease, \$757,856, occurred in the General Operating Fund.
- The district made investments in capital asset acquisitions (\$73,227) and facility maintenance and improvements (\$508,955) in the amount of \$454,000 during the fiscal year ending August 31, 2012. In addition to these investments, the district invested \$105,000 in small equipment purchases.
- The general fund reported a fund balance of \$5,622,656 at fiscal year end, which was an increase of \$605,580 over the previous year.
- 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 2012 due primarily 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:

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



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
<i>Scope</i>	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
<i>Required financial statements</i>	* 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	
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset/liability information</i>	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
<i>Type of inflow-outflow information</i>	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*.

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

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

The District has the following kinds of funds:

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

The District received Education Jobs funds in fiscal year 2012 under a one-year federal grant program. The program provided assistance to states to save or create education jobs for the 2011–2012 school year. Jobs funded under this program are exclusively for **school-level** employees that provide educational and related services for early childhood, elementary, and secondary education. The District was required to expend all awarded funds by the end of the fiscal year.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net assets** (See Table A-1). The District's Governmental activity net assets were \$12,380,749 at August 31, 2012. Overall, the district had an increase of 8% in net assets from prior year. The District had minimal Business-type activities during the fiscal year.

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

	Governmental Activities			% Change 2011- 2012	Business-Type Activities			Total Activities			% Change 2011- 2012
	2012	2011	2010		2012	2011	2010	2012	2011	2010	
<b>Current assets:</b>											
Cash and cash equivalents	7,623,806	5,705,282	6,185,448	34%	659	-	57,504	7,624,465	5,705,282	6,242,952	34%
Property taxes receivable	1,294,508	1,338,617	1,247,384	-3%	-	-	-	1,294,508	1,338,617	1,247,384	-3%
Due from Other Government	314,232	1,377,708	635,187	-77%	-	-	-	314,232	1,377,708	635,187	-77%
Other receivables	583	1,747	4,025	-67%	-	-	-	583	1,747	4,025	-67%
Deferred expenses	55,491	63,965	75,948	-13%	-	-	-	55,491	63,965	75,948	-13%
Inventories-supplies and materials	39,216	34,223	45,743	15%	-	-	-	39,216	34,223	45,743	15%
Capitalized Bond & Debt Issuance Cost	240,258	103,257	108,118	133%	-	-	-	240,258	103,257	108,118	133%
<b>Total current assets</b>	<b>9,568,094</b>	<b>8,624,799</b>	<b>8,301,853</b>	<b>11%</b>	<b>659</b>	<b>-</b>	<b>57,504</b>	<b>9,568,753</b>	<b>8,624,799</b>	<b>8,359,357</b>	<b>11%</b>
<b>Noncurrent assets:</b>											
Land	1,220,020	1,220,019	1,220,020	0%	-	-	-	1,220,020	1,220,019	1,220,020	0%
Buildings, furniture and equipment	41,549,077	41,134,629	41,030,717	1%	-	-	-	41,549,077	41,134,629	41,030,717	1%
Less accumulated depreciation	(19,810,020)	(18,754,980)	(17,632,973)	6%	-	-	-	(19,810,020)	(18,754,980)	(17,632,973)	6%
Construction in Progress	75,739	-	-	100%	-	-	-	75,739	-	-	100%
<b>Total noncurrent assets</b>	<b>23,034,816</b>	<b>23,599,668</b>	<b>24,617,764</b>	<b>-2%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,034,816</b>	<b>23,599,668</b>	<b>24,617,764</b>	<b>-2%</b>
<b>Total Assets</b>	<b>32,602,910</b>	<b>32,224,467</b>	<b>32,919,617</b>	<b>1%</b>	<b>659</b>	<b>-</b>	<b>57,504</b>	<b>32,603,569</b>	<b>32,224,467</b>	<b>32,977,121</b>	<b>1%</b>
<b>Current liabilities:</b>											
Accounts payable and accrued liabilities	1,095,209	1,118,006	1,121,225	-2%	-	-	-	1,095,209	1,118,006	1,121,225	-2%
Deferred revenue	78,011	22,869	33,724	241%	-	-	-	78,011	22,869	33,724	241%
<b>Total current liabilities</b>	<b>1,173,220</b>	<b>1,140,875</b>	<b>1,154,949</b>	<b>3%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,173,220</b>	<b>1,140,875</b>	<b>1,154,949</b>	<b>3%</b>
<b>Long-term liabilities:</b>											
Due Within One Year	746,833	678,928	696,278	10%	-	-	-	746,833	678,928	696,278	10%
Due in More than One Year	18,302,108	18,897,226	19,581,387	-3%	-	-	-	18,302,108	18,897,226	19,581,387	-3%
<b>Total Long Term Liabilities</b>	<b>19,048,941</b>	<b>19,576,154</b>	<b>20,277,665</b>	<b>-3%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,048,941</b>	<b>19,576,154</b>	<b>20,277,665</b>	<b>-3%</b>
<b>Total Liabilities</b>	<b>20,222,161</b>	<b>20,717,029</b>	<b>21,432,614</b>	<b>-2%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,222,161</b>	<b>20,717,029</b>	<b>21,432,614</b>	<b>-2%</b>
<b>Net Assets:</b>											
Invested in capital assets	4,478,567	4,334,871	4,707,946	3%	-	-	-	4,478,567	4,334,871	4,707,946	3%
Restricted for other purposes	1,016,275	815,121	685,207	25%	-	-	-	1,016,275	815,121	685,207	25%
Unrestricted	6,885,907	6,357,446	6,093,850	8%	659	-	57,504	6,886,566	6,357,446	6,151,354	8%
<b>Total Net Assets</b>	<b>12,380,749</b>	<b>11,507,438</b>	<b>11,487,003</b>	<b>8%</b>	<b>659</b>	<b>-</b>	<b>57,504</b>	<b>12,381,408</b>	<b>11,507,438</b>	<b>11,544,507</b>	<b>8%</b>

The \$6,886,566 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 \$22,514,117, which included \$4,122,879 for services and operating grants and contributions, and \$18,391,238 in general revenues.

For fiscal year 2012, approximately 56% of the District's general revenue came from taxes, 42% from state aid, federal programs and specific grants, and the remaining 2% from investment earnings and miscellaneous local sources. The total expenses of all District governmental activity programs and services was \$21,640,806, with approximately 73% 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-Type Activities			Total Activities			% Change 2012-2011
	2012	2011	2010	2012	2011	2010	2012	2011	2010	
<b>Program Revenues:</b>										
Charges for Services	683,906	707,692	636,023	-	-	33,615	683,906	707,692	669,638	-3%
Operating Grants and Contributions	3,438,973	3,478,803	3,605,517	-	-	-	3,438,973	3,478,803	3,605,517	-1%
<b>General Revenues:</b>										
Property Taxes	10,227,538	10,415,320	10,886,474	-	-	-	10,227,538	10,415,320	10,886,474	-2%
State Aid – Formula	7,688,791	8,634,775	8,181,653	-	-	-	7,688,791	8,634,775	8,181,653	-11%
Investment Earnings	42,966	53,215	57,934	-	-	-	42,966	53,215	57,934	-19%
Other	431,943	184,888	521,431	1,370	-	-	433,313	184,888	521,431	134%
<b>Total Revenues</b>	<b>22,514,117</b>	<b>23,474,693</b>	<b>23,889,032</b>	<b>1,370</b>	<b>-</b>	<b>33,615</b>	<b>22,515,487</b>	<b>23,474,693</b>	<b>23,922,647</b>	<b>-4%</b>
<b>Program Expenditures:</b>										
Instruction	10,733,017	12,031,023	12,166,537	711	-	28,863	10,733,728	12,031,023	12,195,400	-11%
Instructional Resources and Media Services	492,188	537,924	551,430	-	-	-	492,188	537,924	551,430	-9%
Curriculum Dev. And										
Instructional Staff Dev.	423,266	339,577	390,716	-	-	-	423,266	339,577	390,716	25%
Instructional Leadership	118,318	93,974	90,056	-	-	-	118,318	93,974	90,056	26%
School Leadership	1,132,347	1,208,550	1,223,977	-	-	-	1,132,347	1,208,550	1,223,977	-6%
Guidance, Counseling and										
Evaluation Services	556,745	595,872	573,084	-	-	-	556,745	595,872	573,084	-7%
Health Services	245,380	268,060	260,608	-	-	-	245,380	268,060	260,608	-8%
Student Transportation	946,659	963,365	1,043,486	-	-	-	946,659	963,365	1,043,486	-2%
Food Services	1,193,633	1,298,681	1,184,897	-	-	-	1,193,633	1,298,681	1,184,897	-8%
Curricular/Extracurricular Activities	1,527,287	1,567,235	1,514,425	-	-	-	1,527,287	1,567,235	1,514,425	-3%
General Administration	536,707	560,009	571,689	-	-	-	536,707	560,009	571,689	-4%
Plant Maintenance & Oper.	1,984,173	2,132,444	2,408,220	-	-	-	1,984,173	2,132,444	2,408,220	-7%
Security & Monitoring Svcs.	147,507	149,599	182,853	-	-	-	147,507	149,599	182,853	-1%

Data Processing Services	115,489	119,059	109,852	-	-	-	115,489	119,059	109,852	-3%
Community Services	31,688	38,212	32,490	-	-	-	31,688	38,212	32,490	-17%
Debt Service	750,883	882,493	917,543	-	-	-	750,883	882,493	917,543	-15%
Bond Issuance Costs	24,332	6,034	6,034	-	-	-	24,332	6,034	6,034	303%
Facilities Acquisition and Construction	-	9,166	-	-	-	-	-	9,166	-	-100%
Payments to Fiscal Agent/										
Member Dist. – SSA	483,950	495,292	459,073	-	-	-	483,950	495,292	459,073	-2%
Other Intergovernmental										
Charges	197,237	215,194	219,673	-	-	-	197,237	215,194	219,673	-8%
Total Expenses	21,640,806	23,511,763	23,906,643	711	-	28,863	21,641,517	23,511,763	23,935,506	-8%
Net Assets (NA) - Beginning	11,507,438	11,487,003	11,504,614	-	57,504	52,752	11,507,438	11,544,507	11,557,366	0%
Adjustment to NA - Beginning	-	-	-	-	-	-	-	-	-	
Excess Before Other										
Resources, Uses & Transfers	873,311	(37,070)	(17,611)	659	-	4,752	873,970	(37,070)	(12,859)	2458%
Other Resources (Uses)	-	-	-	-	-	-	-	-	-	
Transfers In (Out)	-	57,504	-	-	(57,504)	-	-	-	-	
Net Assets (NA) - Ending	12,380,749	11,507,437	11,487,003	659	-	57,504	12,381,408	11,507,437	11,544,507	8%
Change in Net Assets	873,311	20,434	(17,611)	659	(57,504)	4,752	873,970	(37,070)	(12,859)	2458%

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.

- The cost of all *governmental* activities this year was \$21,640,806.
- The amount that District taxpayers funded for these activities through property taxes was \$10,227,538.
- The remaining costs were funded by state aid, federal grants and contributions in the amount of \$1,127,764 or
- By interest and other miscellaneous revenues of \$474,909.

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

	Total Cost of Services				Net Cost of Services			
	2012	2011	2010	% Change 2012- 2011	2012	2011	2010	% Change 2012-2011
Instruction	10,733,017	12,031,023	12,166,537	-11%	8,824,580	10,037,510	10,081,585	-12%
School Leadership	1,132,347	1,208,550	1,223,977	-6%	1,075,732	1,143,264	1,155,884	-6%
Plant Maintenance & Operations	1,984,173	2,132,444	2,408,220	-7%	1,923,475	2,053,032	2,333,236	-6%
Debt Service – Interest & Fiscal Charges	775,215	888,527	923,577	-13%	775,215	888,527	923,577	-13%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Total revenues from governmental fund types totaled \$22,558,226, a decrease of \$825,235 from the previous year. General fund revenue decreased \$211,037 while non-major governmental funds revenue decreased \$614,198. The decrease in total revenue is due primarily to state funding cuts and the elimination and/or reductions of state and federal grant funding as a result of legislative actions during the 2010/11 legislative session.

### 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 \$1,289,475 below final budgeted amounts.

The District invested \$73,227 in capital assets, including a virtual computer server, phone system upgrade and combi oven. The District also invested approximately \$508,955 for facility maintenance and improvements to district property. A large portion of the facility maintenance and improvement investment was to upgrade the stadium turf under a warranty replacement. In so doing, the District upgraded the quality of turf and received a new eight-year warranty for the cost of labor only, which was \$175,000. The District also demolished two buildings at the former elementary campus site for a combined cost of \$98,000 including asbestos abatement and debris removal. In addition to capital asset and facility improvements, the District invested \$105,000 in small equipment purchases, most of it being technology-related. All capital asset acquisitions, facility maintenance, and property improvements were funded entirely by available District funds.

The general operating fund balance increased by \$605,580 for an ending balance of \$5,622,656 as of August 31, 2012.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2012, the District had invested \$42,844,836 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 \$490,188 over the previous fiscal year.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>Total Percentage Change 2012-2011</u>
		<u>Governmental Activities</u>		
Land	1,220,020	1,220,019	1,220,020	0%
Buildings and improvements	37,951,742	37,467,171	37,328,405	1%
Vehicles	2,119,015	2,250,565	2,342,495	-6%
Equipment	1,478,320	1,416,893	1,359,817	4%
Construction in Progress	75,739	-	-	
Totals at historical cost	<u>42,844,836</u>	<u>42,354,648</u>	<u>42,250,737</u>	1%
Total accumulated depreciation	<u>(19,810,020)</u>	<u>(18,754,980)</u>	<u>(17,632,973)</u>	6%
Net capital assets	<u>23,034,816</u>	<u>23,599,668</u>	<u>24,617,764</u>	-2%

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 \$18,897,425 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 2012-2011
	<u>2012</u>	<u>2011</u>	<u>2010</u>	
Bonds Payable	18,545,000	19,065,000	19,560,000	-3%
Notes Payable	352,425	511,154	717,665	-29%
Total Debt	<u>18,897,425</u>	<u>19,576,154</u>	<u>20,277,665</u>	-3%

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

- Appraised value used for the 2013 budget preparation is down \$23,168,202 or 2% from prior year.
- General operating funds budgeted per student decreased in the 2013 budget from \$7,580 to \$7,376.
- The District's 2013 refined average daily attendance was expected to remain about the same as the final 2012 refined average daily attendance of 2224.
- 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 effect of these funding cuts to the District's combined state and local revenue (target revenue) compared to pre-legislative revenue was a decrease of \$891,517 for fiscal year 2012 and an estimated decrease of \$1,431,800 for fiscal year 2013.

These indicators were taken into account when adopting the general fund budget for 2013. The District adopted a deficit budget in the amount of \$493,170 for the 2013 school year and intends to use fund balance to cover the deficit. Amounts available for appropriation in the general fund are \$17,868,193, a decrease of \$264,695 over final revenues for 2012. The District maintained prior year staff reductions and decreased operating budgets in anticipation of the 2013 state budget cuts. District staff received a pay increase ranging from 2% to 2.5% of midpoint for 2013. Salaries were frozen for the 2012 fiscal year. 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 2013 adopted general fund budget expenditures are expected to decrease from the 2012 amended budget from \$18,571,120 to \$17,868,193.

If these estimates are realized, the District's budgetary general fund balance is expected to decrease by \$493,170 for the 2012-2013 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, 2012

Data Control Codes		1	2	3
		Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 4,184,902	\$ 659	\$ 4,185,561
1120	Current Investments	3,438,904	--	3,438,904
1225	Property Taxes Receivable (Net)	1,294,508	--	1,294,508
1240	Due from Other Governments	314,232	--	314,232
1250	Accrued Interest	583	--	583
1300	Inventories	39,216	--	39,216
1410	Deferred Expenses	55,491	--	55,491
1420	Capitalized Bond and Other Debt Issuance Costs	240,258	--	240,258
Capital Assets:				
1510	Land	1,220,020	--	1,220,020
1520	Buildings and Improvements, Net	20,847,333	--	20,847,333
1530	Furniture and Equipment, Net	891,724	--	891,724
1580	Construction in Progress	75,739	--	75,739
1000	Total Assets	32,602,910	659	32,603,569
<b>LIABILITIES:</b>				
2110	Accounts Payable	299,251	--	299,251
2140	Interest Payable	30,859	--	30,859
2165	Accrued Liabilities	598,970	--	598,970
2180	Due to Other Governments	166,129	--	166,129
2300	Unearned Revenue	78,011	--	78,011
Noncurrent Liabilities:				
2501	Due Within One Year	746,833	--	746,833
2502	Due in More Than One Year	18,302,108	--	18,302,108
2000	Total Liabilities	20,222,161	--	20,222,161
<b>NET ASSETS</b>				
3200	Invested in Capital Assets, Net of Related Debt	4,478,567	--	4,478,567
Restricted For:				
3820	State and Federal Programs	484,077	--	484,077
3850	Debt Service	450,597	--	450,597
3870	Campus Activities	81,601	--	81,601
3900	Unrestricted	6,885,907	659	6,886,566
3000	Total Net Assets	\$ 12,380,749	\$ 659	\$ 12,381,408

The accompanying notes are an integral part of this statement.

# GILMER INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Functions/Programs	1  Expenses	3  Charges for Services	4  Program Revenues Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 10,733,017	\$ 270,648	\$ 1,637,789
12	Instructional Resources and Media Services	492,188	--	63,498
13	Curriculum and Staff Development	423,266	--	277,954
21	Instructional Leadership	118,318	--	4,058
23	School Leadership	1,132,347	--	56,615
31	Guidance, Counseling, & Evaluation Services	556,745	--	216,024
33	Health Services	245,380	--	14,692
34	Student Transportation	946,659	--	35,488
35	Food Service	1,193,633	318,929	1,003,541
36	Cocurricular/Extracurricular Activities	1,527,287	88,469	39,358
41	General Administration	536,707	--	22,271
51	Plant Maintenance and Operations	1,984,173	5,860	54,838
52	Security and Monitoring Services	147,507	--	414
53	Data Processing Services	115,489	--	4,281
61	Community Services	31,688	--	8,152
72	Interest on Long-term Debt	750,883	--	--
73	Bond Issuance Costs and Fees	24,332	--	--
93	Payments Related to Shared Services Arrangements	483,950	--	--
99	Other Intergovernmental Charges	197,237	--	--
TG	Total Governmental Activities	<u>21,640,806</u>	<u>683,906</u>	<u>3,438,973</u>
	Business-type Activities:			
01	District Enterprise	711	--	--
TP	Total Primary Government	<u>\$ 21,641,517</u>	<u>\$ 683,906</u>	<u>\$ 3,438,973</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			
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
\$ (8,824,580)		\$ (8,824,580)
(428,690)		(428,690)
(145,312)		(145,312)
(114,260)		(114,260)
(1,075,732)		(1,075,732)
(340,721)		(340,721)
(230,688)		(230,688)
(911,171)		(911,171)
128,837		128,837
(1,399,460)		(1,399,460)
(514,436)		(514,436)
(1,923,475)		(1,923,475)
(147,093)		(147,093)
(111,208)		(111,208)
(23,536)		(23,536)
(750,883)		(750,883)
(24,332)		(24,332)
(483,950)		(483,950)
(197,237)		(197,237)
<u>(17,517,927)</u>		<u>(17,517,927)</u>
--	\$ (711)	(711)
<u>(17,517,927)</u>	<u>(711)</u>	<u>(17,518,638)</u>
8,900,428	--	8,900,428
1,327,110	--	1,327,110
42,966	--	42,966
7,688,791	--	7,688,791
431,943	1,370	433,313
<u>18,391,238</u>	<u>1,370</u>	<u>18,392,608</u>
873,311	659	873,970
11,507,438	--	11,507,438
<u>\$ 12,380,749</u>	<u>\$ 659</u>	<u>\$ 12,381,408</u>

**GILMER INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2012

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ 3,127,731	\$ 644,770	\$ 3,772,501
1120 Current Investments	3,098,889	340,015	3,438,904
1225 Taxes Receivable, Net	1,166,943	127,565	1,294,508
1240 Due from Other Governments	243,180	71,052	314,232
1250 Accrued Interest	583	--	583
1260 Due from Other Funds	13,357	--	13,357
1300 Inventories	3,834	35,382	39,216
1000 Total Assets	<u>\$ 7,654,517</u>	<u>\$ 1,218,784</u>	<u>\$ 8,873,301</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 Accounts Payable	\$ 136,356	\$ 43,745	\$ 180,101
2150 Payroll Deductions & Withholdings	414	--	414
2160 Accrued Wages Payable	547,711	50,845	598,556
2170 Due to Other Funds	--	13,357	13,357
2180 Due to Other Governments	166,129	--	166,129
2300 Deferred Revenue	1,181,251	191,267	1,372,518
2000 Total Liabilities	<u>2,031,861</u>	<u>299,214</u>	<u>2,331,075</u>
<b>FUND BALANCES:</b>			
Nonspendable Fund Balances:			
3410 Inventories	3,834	26,738	30,572
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	457,339	457,339
3480 Retirement of Long-Term Debt	--	353,892	353,892
Committed Fund Balances:			
3510 Construction	2,000,000	--	2,000,000
3545 Other Committed Fund Balance	500,000	81,601	581,601
3600 Unassigned	3,118,822	--	3,118,822
3000 Total Fund Balances	<u>5,622,656</u>	<u>919,570</u>	<u>6,542,226</u>
4000 Total Liabilities and Fund Balances	<u>\$ 7,654,517</u>	<u>\$ 1,218,784</u>	<u>\$ 8,873,301</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, 2012**

Total fund balances - governmental funds balance sheet	\$ 6,542,226
--	--------------

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.	23,034,816
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,294,508
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	293,250
Payables for bond principal which are not due in the current period are not reported in the funds.	(18,545,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(30,859)
Payables for notes which are not due in the current period are not reported in the funds.	(352,425)
Premium on issuance of bonds is not reported in the funds.	(840,985)
Prepaid insurance is not reported in the funds.	55,491
Bond issuance costs are not reported in the funds.	240,258
Accreted interest on capital appreciation bonds is not reported in the funds.	(23,130)
The deferred loss on defeasance of debt is not reported in the funds.	712,599

Net assets of governmental activities - Statement of Net Assets	\$ <u>12,380,749</u>
---	----------------------

The accompanying notes are an integral part of this statement.

**GILMER INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 9,631,779	\$ 1,798,684	\$ 11,430,463
5800 State Program Revenues	8,445,767	172,318	8,618,085
5900 Federal Program Revenues	55,342	2,454,336	2,509,678
5020 Total Revenues	<u>18,132,888</u>	<u>4,425,338</u>	<u>22,558,226</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	8,721,542	1,256,949	9,978,491
0012 Instructional Resources and Media Services	430,873	38,553	469,426
0013 Curriculum and Staff Development	151,240	271,843	423,083
0021 Instructional Leadership	118,214	--	118,214
0023 School Leadership	1,122,267	1,234	1,123,501
0031 Guidance, Counseling, & Evaluation Services	362,793	192,511	555,304
0033 Health Services	242,437	--	242,437
0034 Student Transportation	862,301	--	862,301
0035 Food Service	--	1,142,255	1,142,255
0036 Cocurricular/Extracurricular Activities	1,312,334	--	1,312,334
0041 General Administration	531,209	--	531,209
0051 Plant Maintenance and Operations	2,227,272	9,824	2,237,096
0052 Security and Monitoring Services	142,811	--	142,811
0053 Data Processing Services	113,722	--	113,722
0061 Community Services	24,882	6,801	31,683
0071 Principal on Long-term Debt	158,728	520,000	678,728
0072 Interest on Long-term Debt	18,118	753,885	772,003
0073 Bond Issuance Costs and Fees	--	161,333	161,333
0081 Capital Outlay	306,488	--	306,488
0093 Payments to Shared Service Arrangements	483,950	--	483,950
0099 Other Intergovernmental Charges	197,237	--	197,237
6030 Total Expenditures	<u>17,528,418</u>	<u>4,355,188</u>	<u>21,883,606</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>604,470</u>	<u>70,150</u>	<u>674,620</u>
Other Financing Sources and (Uses):			
7911 Capital-Related Debt Issued (Regular Bonds)	--	8,805,000	8,805,000
7915 Transfers In	1,110	--	1,110
7916 Premium or Discount on Issuance of Bonds	--	902,390	902,390
8911 Transfers Out	--	(1,110)	(1,110)
8949 Other Uses	--	(9,543,232)	(9,543,232)
7080 Total Other Financing Sources and (Uses)	<u>1,110</u>	<u>163,048</u>	<u>164,158</u>
1200 Net Change in Fund Balances	<u>605,580</u>	<u>233,198</u>	<u>838,778</u>
0100 Fund Balances - Beginning	5,017,076	686,372	5,703,448
3000 Fund Balances - Ending	<u>\$ 5,622,656</u>	<u>\$ 919,570</u>	<u>\$ 6,542,226</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, 2012

Net change in fund balances - total governmental funds \$ 838,778

Amounts reported for governmental activities in the Statement of Activities  
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	657,922
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,222,772)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(44,110)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(8,474)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	520,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	158,728
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	137,001
The accretion of interest on capital appreciation bonds is not reported in the funds.	(23,130)
(Increase) decrease in accrued interest from beginning of period to end of period.	8,478
The net revenue (expense) of internal service funds is reported with governmental activities.	(20,724)
Purchase of securities to refund outstanding bond issues is reported as other uses in the funds.	9,543,232
The loss on defeasance of debt is not recorded in the funds.	(25,633)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(8,805,000)
Bond premiums are reported in the funds but not in the SOA.	(840,985)

Change in net assets of governmental activities - Statement of Activities \$ 873,311

The accompanying notes are an integral part of this statement.

**GILMER INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

AUGUST 31, 2012

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		District Enterprise Fund	Insurance Fund
<b>ASSETS:</b>			
Current Assets:			
1110	Cash and Cash Equivalents	\$ 659	\$ 412,400
	Total Current Assets	659	412,400
1000	Total Assets	\$ 659	\$ 412,400
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	Accounts Payable	\$ --	\$ 119,150
	Total Current Liabilities	--	119,150
2000	Total Liabilities	--	119,150
<b>NET ASSETS:</b>			
3900	Unrestricted Net Assets	659	293,250
3000	Total Net Assets	\$ 659	\$ 293,250

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, 2012**

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		District Enterprise Fund	Insurance Fund
	<b>OPERATING REVENUES:</b>		
5700	Local and Intermediate Sources	\$ 1,370	\$ 49,721
5020	Total Revenues	<u>1,370</u>	<u>49,721</u>
	<b>OPERATING EXPENSES:</b>		
6400	Other Operating Costs	711	70,445
6030	Total Expenses	<u>711</u>	<u>70,445</u>
1300	Change in Net Assets	659	(20,724)
0100	Total Net Assets - Beginning	--	313,974
3300	Total Net Assets - Ending	<u>\$ 659</u>	<u>\$ 293,250</u>

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, 2012

	Enterprise Fund	Internal Service Fund
<b>Cash Flows from Operating Activities:</b>		
Cash Receipts (Payments) for Interfund Services Provided and Used	\$ --	\$ 49,676
Operating Transactions with Other Funds	(711)	(67,072)
Cash Payments to Other Suppliers for Goods and Services	1,370	--
Other Operating Cash Receipts (Payments)	659	(17,396)
Net Cash Provided (Used) by Operating Activities		
<b>Cash Flows from Non-capital Financing Activities:</b>		
Transfers From (To) Other Funds	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	--	--
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Contributed Capital	--	--
Net Cash Provided (Used) for Capital & Related Financing Activities	--	--
<b>Cash Flows from Investing Activities:</b>		
Interest and Dividends on Investments	--	46
Net Cash Provided (Used) for Investing Activities	--	46
Net Increase (Decrease) in Cash and Cash Equivalents	659	(17,350)
Cash and Cash Equivalents at Beginning of Year	--	429,750
Cash and Cash Equivalents at End of Year	\$ 659	\$ 412,400
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 659	\$ (20,724)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Investment Income	--	(46)
Change in Assets and Liabilities:		
Increase (Decrease) in Accounts Payable	--	3,374
Total Adjustments	--	3,328
Net Cash Provided (Used) by Operating Activities	\$ 659	\$ (17,396)

The accompanying notes are an integral part of this statement.

**GILMER INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

AUGUST 31, 2012

		AUGUST 31, 2012	
			Agency Funds
Data Control Codes		Private-purpose Trust Funds	Student Activity
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$ 25,106	\$ 53,245
1120	Current Investments	75,359	--
1250	Accrued Interest	16	--
1800	Restricted Assets	292,568	--
1000	Total Assets	\$ 393,049	\$ 53,245
<b>LIABILITIES:</b>			
Current Liabilities:			
2190	Due to Student Groups	\$ --	\$ 53,245
2000	Total Liabilities	--	53,245
<b>NET ASSETS</b>			
3800	Held in Trust	393,049	--
3000	Total Net Assets	\$ 393,049	\$ --

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, 2012

	Private- Purpose Trusts
<b>Additions:</b>	
Gifts and Bequests	\$ 9,700
Net Increase (Decrease) in Fair Value of Investments	38,711
Total Additions	<u>48,411</u>
<b>Deductions:</b>	
Scholarship Awards	22,700
Total Deductions	<u>22,700</u>
<b>Change in Net Assets</b>	25,711
Net Assets-Beginning of the Year	367,338
Net Assets-End of the Year	<u>\$ 393,049</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, 2012**

**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 funds:

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

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

In addition, the District reports the following fund types:

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

**Enterprise Fund:** This fund is used to account for special projects approved by District staff.

**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, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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.

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

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.

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, 2012 is \$554,789.

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

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

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.

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

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

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

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

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

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.

The Board of Trustees has adopted a minimum fund balance policy. The District shall strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is 25 percent of the total operating expenditures and the unassigned fund balance is 10 percent of the total operating expenditures.

**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>
Expenditures exceeded appropriations in the Debt Service Fund.	This condition was caused by issuance costs related to a bond refunding. Management will monitor closely in the future.

**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, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,263,911 and the bank balance was \$4,582,586. The District's cash deposits at August 31, 2012 and during the year ended August 31, 2012, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

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.

The District's investments at August 31, 2012 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	60 days or less	\$ 1,428,419
Certificate of Deposit	02/22/2014	2,010,485
Certificate of Deposit	05/21/2013	75,359
Total Investments		<u>\$ 3,514,263</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, 2012, 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&amp;P Rating</u>
Lone Star Investment Pool	AAA

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.

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

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 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, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,220,020	\$ --	\$ --	\$ 1,220,020
Construction in progress	--	75,739	--	75,739
Total capital assets not being depreciated	1,220,020	75,739	--	1,295,759
Capital assets being depreciated:				
Buildings and improvements	37,467,171	508,955	24,384	37,951,742
Equipment	1,416,893	73,227	11,800	1,478,320
Vehicles	2,250,565	--	131,550	2,119,015
Total capital assets being depreciated	41,134,629	582,182	167,734	41,549,077

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

Less accumulated depreciation for:				
Buildings and improvements	(16,074,686)	(1,054,107)	(24,384)	(17,104,409)
Equipment	(1,037,844)	(70,831)	(11,800)	(1,096,875)
Vehicles	(1,642,452)	(97,834)	(131,550)	(1,608,736)
Total accumulated depreciation	(18,754,982)	(1,222,772)	(167,734)	(19,810,020)
Total capital assets being depreciated, net	22,379,647	(640,590)	--	21,739,057
Governmental activities capital assets, net	\$ 23,599,667	\$ (564,851)	\$ --	\$ 23,034,816

Depreciation was charged to functions as follows:

Instruction	\$ 788,592
Instructional Resources and Media Services	22,398
School Leadership	8,057
Guidance, Counseling, & Evaluation Services	975
Health Services	2,726
Student Transportation	79,443
Food Services	60,354
Extracurricular Activities	214,241
General Administration	5,276
Plant Maintenance and Operations	34,295
Security and Monitoring Services	4,665
Data Processing Services	1,750
	<u>\$ 1,222,772</u>

**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2012, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 13,357	Short-term loans
	Total	<u>\$ 13,357</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, 2012, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Other Governmental Funds	General Fund	\$ 1,110	Reimburse expenditures
	Total	<u>\$ 1,110</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.

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

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, 2012, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 19,065,000	\$ 8,805,000	\$ 9,325,000	\$ 18,545,000	\$ 635,000
Notes	511,154	--	158,729	352,425	111,833
Loss on defeasance of bonds	--	(738,232)	(25,633)	(712,599)	--
Accreted interest on CABs	--	23,130	--	23,130	--
Unamortized bond premium	--	902,390	61,405	840,985	--
Total governmental activities	<u>\$ 19,576,154</u>	<u>\$ 8,992,288</u>	<u>\$ 9,519,501</u>	<u>\$ 19,048,941</u>	<u>\$ 746,833</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 April 30, 2009, the District entered into a 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:

Purpose:	Interest Rates	Maturity Date	Amount
Governmental Activities - Energy Management Project	5.25%	5/06/2017	\$ 252,434
Governmental Activities - Capital Purchases	2.988%	4/30/2014	99,991
			<u>\$ 352,425</u>

3. Bonds Payable

Bonds payable currently outstanding are as follows:

Title of Issue:	Interest Rates	Maturity Date	Amount
Series 2003 Unlimited Tax School Building Bonds	3.55-5.00%	2/15/2033	\$ 2,295,000
Series 2004 Unlimited Tax School Building Bonds	4.00-6.00%	2/15/2033	4,900,000
Series 2005 Unlimited Tax School Building Bonds	4.25-6.00%	2/15/2032	2,545,000
Series 2012 Unlimited Tax Refunding Bonds	2.00-3.50%	2/15/2030	8,805,000
			<u>\$ 18,545,000</u>

4. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2012, are as follows:

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 746,833	\$ 659,344	\$ 1,406,177
2014	784,666	623,529	1,408,195
2015	612,645	741,519	1,354,164
2016	753,281	587,812	1,341,093
2017	710,000	570,361	1,280,361
2018-2022	3,860,000	2,562,350	6,422,350
2023-2027	4,565,000	1,871,341	6,436,341
2028-2032	5,695,000	887,435	6,582,435
2033	1,170,000	25,652	1,195,652
Totals	<u>\$ 18,897,425</u>	<u>\$ 8,529,343</u>	<u>\$ 27,426,768</u>

**5. Advance Refunding of Debt**

During the year ended August 31, 2012, the District issued \$8,805,000 of tax refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an escrow account for the purpose of generating resources for all future debt service payments of \$8,805,000 in school building bonds. As a result, certain maturities of the refunded issues are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$738,232. This amount is being netted against the new debt and amortized over the life of the new debt. This advance refunding resulted in an economic gain of \$1,095,858 and was undertaken to reduce future interest payments.

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2012, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
Series 2003 Unlimited Tax School Building Bonds	\$ 6,175,000
Series 2004 Unlimited Tax School Building Bonds	2,630,000
Total	<u>\$ 8,805,000</u>

**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 2012, 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](http://www.trs.state.tx.us), under the TRS

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

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 2012, 2011, and 2010, and a state contribution rate of 6.0% for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2012, 2011 and 2010 were \$702,626, \$853,039 and \$856,709, respectively. The District paid additional state contributions for the years ending August 31, 2012, 2011 and 2010 in the amount of \$96,560, \$123,868 and \$104,791, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

**I. Retiree Health Care Plan**

**1. TRS-Care**

**a. Plan Description**

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

**b. Funding Policy**

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. 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 2012, 2011 and 2010. 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, 2012, 2011, and 2010, the State's contributions to TRS-Care were \$125,246, \$135,354, and \$135,430, respectively, the active member contributions were \$81,410, \$87,980, and \$88,030, respectively, and the District's contributions were \$68,885, \$74,445, and \$74,487, respectively, which equaled the required contributions each year.

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2012, 2011, and 2010, the subsidy payments received by TRS-Care on behalf of the District were \$27,687, \$36,329, and \$33,751, respectively.

3. Early Retiree Reinsurance Program (ERRP)

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependants regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor.

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. For the fiscal year ended August 31, 2012, the amount received by TRS-Care on behalf of the District was \$30,530.

J. Employee Health Care Coverage

During the year ended August 31, 2012, 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, 2012, 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, 2012.

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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**FOR THE YEAR ENDED AUGUST 31, 2012**

<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. 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		81,601

**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 \$10,169 for current year claims and \$24,574 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:

	Beginning Balance	Claims Incurred	Claims Paid	Ending Balance
Year Ended August 31, 2012	\$ 115,775	\$ 38,118	\$ 34,743	\$ 119,150
Year Ended August 31, 2011	137,933	5,153	27,311	115,775

**O. Subsequent Events**

Management has evaluated subsequent events through December 11, 2012, the date on which the financial statements were available to be issued.

In September of 2012, the Board of Trustees approved a contract with a construction company to manage the stadium improvement project. The total cost of the project is estimated at \$2,100,000 and will be financed by the issuance of Maintenance Tax Notes.

On November 12, 2012, the Board approved the sale of \$6.25 million in refunding bonds, which are estimated to save the District an estimated \$1.1 million over the life of the bonds.

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## 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, 2012

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 9,186,377	\$ 9,551,436	\$ 9,631,779	\$ 80,343
5800	State Program Revenues	8,121,679	8,283,679	8,445,767	162,088
5900	Federal Program Revenues	51,000	51,000	55,342	4,342
5020	Total Revenues	17,359,056	17,886,115	18,132,888	246,773
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	9,027,323	9,110,682	8,721,542	389,140
0012	Instructional Resources and Media Services	444,942	460,942	430,873	30,069
0013	Curriculum and Staff Development	151,336	171,292	151,240	20,052
	Total Instruction & Instr. Related Services	9,623,601	9,742,916	9,303,655	439,261
Instructional and School Leadership:					
0021	Instructional Leadership	122,616	136,616	118,214	18,402
0023	School Leadership	1,135,602	1,177,815	1,122,267	55,548
	Total Instructional & School Leadership	1,258,218	1,314,431	1,240,481	73,950
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	412,489	441,571	362,793	78,778
0033	Health Services	260,844	273,344	242,437	30,907
0034	Student (Pupil) Transportation	850,923	949,069	862,301	86,768
0036	Cocurricular/Extracurricular Activities	1,270,420	1,406,905	1,312,334	94,571
	Total Support Services - Student (Pupil)	2,794,676	3,070,889	2,779,865	291,024
Administrative Support Services:					
0041	General Administration	555,796	567,796	531,209	36,587
	Total Administrative Support Services	555,796	567,796	531,209	36,587
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,925,781	2,329,344	2,227,272	102,072
0052	Security and Monitoring Services	142,116	154,116	142,811	11,305
0053	Data Processing Services	115,633	126,633	113,722	12,911
	Total Support Services - Nonstudent Based	2,183,530	2,610,093	2,483,805	126,288
Ancillary Services:					
0061	Community Services	31,901	36,901	24,882	12,019
	Total Ancillary Services	31,901	36,901	24,882	12,019
Debt Service:					
0071	Principal on Long-Term Debt	163,034	163,034	158,728	4,306
0072	Interest on Long-Term Debt	39,300	39,300	18,118	21,182
	Total Debt Service	202,334	202,334	176,846	25,488
Capital Outlay:					
0081	Capital Outlay	--	340,760	306,488	34,272
	Total Capital Outlay	--	340,760	306,488	34,272
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	484,000	485,000	483,950	1,050
0099	Other Intergovernmental Charges	225,000	200,000	197,237	2,763
	Total Intergovernmental Charges	709,000	685,000	681,187	3,813

# GILMER INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
6030	Total Expenditures	<u>17,359,056</u>	<u>18,571,120</u>	<u>17,528,418</u>	<u>1,042,702</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>(685,005)</u>	<u>604,470</u>	<u>1,289,475</u>
	Other Financing Sources (Uses):				
7915	Transfers In	<u>--</u>	<u>--</u>	<u>1,110</u>	<u>1,110</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>1,110</u>	<u>1,110</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>(685,005)</u>	<u>605,580</u>	<u>1,290,585</u>
0100	Fund Balance - Beginning	<u>5,017,076</u>	<u>5,017,076</u>	<u>5,017,076</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 5,017,076</u>	<u>\$ 4,332,071</u>	<u>\$ 5,622,656</u>	<u>\$ 1,290,585</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, 2012

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 630,894	\$ 13,876	\$ 644,770
1120	Current Investments	--	340,015	340,015
1225	Taxes Receivable, Net	--	127,565	127,565
1240	Due from Other Governments	71,052	--	71,052
1300	Inventories	35,382	--	35,382
1000	Total Assets	<u>\$ 737,328</u>	<u>\$ 481,456</u>	<u>\$ 1,218,784</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 43,745	\$ --	\$ 43,745
2160	Accrued Wages Payable	50,845	--	50,845
2170	Due to Other Funds	13,357	--	13,357
2300	Deferred Revenue	63,703	127,564	191,267
2000	Total Liabilities	<u>171,650</u>	<u>127,564</u>	<u>299,214</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3410	Inventories	26,738	--	26,738
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	457,339	--	457,339
3480	Retirement of Long-Term Debt	--	353,892	353,892
Committed Fund Balances:				
3545	Other Committed Fund Balance	81,601	--	81,601
3000	Total Fund Balances	<u>565,678</u>	<u>353,892</u>	<u>919,570</u>
4000	Total Liabilities and Fund Balances	<u>\$ 737,328</u>	<u>\$ 481,456</u>	<u>\$ 1,218,784</u>

**GILMER INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 470,785	\$ 1,327,899	\$ 1,798,684
5800 State Program Revenues	172,318	--	172,318
5900 Federal Program Revenues	2,454,336	--	2,454,336
5020 Total Revenues	<u>3,097,439</u>	<u>1,327,899</u>	<u>4,425,338</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	1,256,949	--	1,256,949
0012 Instructional Resources and Media Services	38,553	--	38,553
0013 Curriculum and Staff Development	271,843	--	271,843
0023 School Leadership	1,234	--	1,234
0031 Guidance, Counseling, & Evaluation Services	192,511	--	192,511
0035 Food Service	1,142,255	--	1,142,255
0051 Plant Maintenance and Operations	9,824	--	9,824
0061 Community Services	6,801	--	6,801
0071 Principal on Long-term Debt	--	520,000	520,000
0072 Interest on Long-term Debt	--	753,885	753,885
0073 Bond Issuance Costs and Fees	--	161,333	161,333
6030 Total Expenditures	<u>2,919,970</u>	<u>1,435,218</u>	<u>4,355,188</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>177,469</u>	<u>(107,319)</u>	<u>70,150</u>
Other Financing Sources and (Uses):			
7911 Capital-Related Debt Issued (Regular Bonds)	--	8,805,000	8,805,000
7916 Premium or Discount on Issuance of Bonds	--	902,390	902,390
8911 Transfers Out	(1,110)	--	(1,110)
8949 Other Uses	--	(9,543,232)	(9,543,232)
7080 Total Other Financing Sources and (Uses)	<u>(1,110)</u>	<u>164,158</u>	<u>163,048</u>
1200 Net Change in Fund Balances	<u>176,359</u>	<u>56,839</u>	<u>233,198</u>
0100 Fund Balances - Beginning	389,319	297,053	686,372
3000 Fund Balances - Ending	<u>\$ 565,678</u>	<u>\$ 353,892</u>	<u>\$ 919,570</u>

# GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2012

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
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ --	\$ 1,787	\$ 271	\$ 491,400
1240	Due from Other Governments	34,578	12,056	1,238	23,180
1300	Inventories	--	--	--	35,382
1000	Total Assets	<u>\$ 34,578</u>	<u>\$ 13,843</u>	<u>\$ 1,509</u>	<u>\$ 549,962</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ 40,911
2160	Accrued Wages Payable	21,221	12,056	1,237	16,331
2170	Due to Other Funds	13,357	--	--	--
2300	Deferred Revenue	--	1,787	272	8,643
2000	Total Liabilities	<u>34,578</u>	<u>13,843</u>	<u>1,509</u>	<u>65,885</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	26,738
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	457,339
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>484,077</u>
4000	Total Liabilities and Fund Balances	<u>\$ 34,578</u>	<u>\$ 13,843</u>	<u>\$ 1,509</u>	<u>\$ 549,962</u>

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	287 Education Jobs Fund	289 Summer School LEP
\$ --	\$ 2,834	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
\$ --	\$ 2,834	\$ --	\$ --	\$ --
\$ --	\$ 2,834	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	2,834	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ 2,834	\$ --	\$ --	\$ --

**GILMER INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2012

Data Control Codes		397 Advanced Placement Incentives	410 State Textbook Fund
	<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 2,751	\$ 50,250
1240	Due from Other Governments	--	--
1300	Inventories	--	--
1000	Total Assets	<u>\$ 2,751</u>	<u>\$ 50,250</u>
	<b>LIABILITIES:</b>		
	Current Liabilities:		
2110	Accounts Payable	\$ --	\$ --
2160	Accrued Wages Payable	--	--
2170	Due to Other Funds	--	--
2300	Deferred Revenue	2,751	50,250
2000	Total Liabilities	<u>2,751</u>	<u>50,250</u>
	<b>FUND BALANCES:</b>		
	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>
4000	Total Liabilities and Fund Balances	<u>\$ 2,751</u>	<u>\$ 50,250</u>

429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ 81,601	\$ 630,894
--	--	71,052
--	--	35,382
<u>\$ --</u>	<u>\$ 81,601</u>	<u>\$ 737,328</u>
\$ --	\$ --	\$ 43,745
--	--	50,845
--	--	13,357
--	--	63,703
<u>--</u>	<u>--</u>	<u>171,650</u>
--	--	26,738
--	--	457,339
--	81,601	81,601
<u>--</u>	<u>81,601</u>	<u>565,678</u>
<u>\$ --</u>	<u>\$ 81,601</u>	<u>\$ 737,328</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, 2012

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
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 318,929
5800	State Program Revenues	--	--	--	12,006
5900	Federal Program Revenues	590,883	256,402	14,642	991,535
5020	Total Revenues	590,883	256,402	14,642	1,322,470
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	352,061	256,402	14,642	--
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	105,196	--	--	--
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	127,461	--	--	--
0035	Food Service	--	--	--	1,142,255
0051	Plant Maintenance and Operations	--	--	--	9,824
0061	Community Services	6,165	--	--	--
6030	Total Expenditures	590,883	256,402	14,642	1,152,079
1100	Excess (Deficiency) of Revenues Over (Under)	--	--	--	170,391
1100	Expenditures	--	--	--	--
Other Financing Sources and (Uses):					
8911	Transfers Out	--	--	--	--
7080	Total Other Financing Sources and (Uses)	--	--	--	--
1200	Net Change in Fund Balances	--	--	--	170,391
0100	Fund Balances - Beginning	--	--	--	313,686
3000	Fund Balances - Ending	\$ --	\$ --	\$ --	\$ 484,077

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	287 Education Jobs Fund	289 Summer School LEP
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
29,125	160,350	12,938	397,351	1,110
29,125	160,350	12,938	397,351	1,110
25,699	--	8,197	294,056	--
--	--	--	38,245	--
3,426	159,116	4,105	--	--
--	1,234	--	--	--
--	--	--	65,050	--
--	--	--	--	--
--	--	--	--	--
--	--	636	--	--
29,125	160,350	12,938	397,351	--
--	--	--	--	1,110
--	--	--	--	(1,110)
--	--	--	--	(1,110)
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

**GILMER INDEPENDENT SCHOOL DISTRICT**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		397 Advanced Placement Incentives	410 State Textbook Fund
	<b>REVENUES:</b>		
5700	Local and Intermediate Sources	\$ --	\$ --
5800	State Program Revenues	938	159,066
5900	Federal Program Revenues	--	--
5020	Total Revenues	<u>938</u>	<u>159,066</u>
	<b>EXPENDITURES:</b>		
	Current:		
0011	Instruction	938	159,066
0012	Instructional Resources and Media Services	--	--
0013	Curriculum and Staff Development	--	--
0023	School Leadership	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--
0035	Food Service	--	--
0051	Plant Maintenance and Operations	--	--
0061	Community Services	--	--
6030	Total Expenditures	<u>938</u>	<u>159,066</u>
1100	Excess (Deficiency) of Revenues Over (Under)	--	--
1100	Expenditures	--	--
	Other Financing Sources and (Uses):		
8911	Transfers Out	--	--
7080	Total Other Financing Sources and (Uses)	--	--
1200	Net Change in Fund Balances	--	--
0100	Fund Balances - Beginning	--	--
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>

429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ 151,856	\$ 470,785
308	--	172,318
--	--	2,454,336
308	151,856	3,097,439
--	145,888	1,256,949
308	--	38,553
--	--	271,843
--	--	1,234
--	--	192,511
--	--	1,142,255
--	--	9,824
--	--	6,801
308	145,888	2,919,970
--	5,968	177,469
--	--	(1,110)
--	--	(1,110)
--	5,968	176,359
--	75,633	389,319
\$ --	\$ 81,601	\$ 565,678

**GILMER INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

PRIVATE-PURPOSE TRUST FUNDS

AUGUST 31, 2012

Data Control Codes	809 Scholarship Fund	836 Scholarship Fund	Total Private- Purpose Trust Funds (See Exhibit E-1)
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ 16,837	\$ 8,269	\$ 25,106
1120 Current Investments	--	75,359	75,359
1250 Accrued Interest	--	16	16
1800 Restricted Assets	--	292,568	292,568
1000 Total Assets	<u>\$ 16,837</u>	<u>\$ 376,212</u>	<u>\$ 393,049</u>
<b>LIABILITIES:</b>			
2000 Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
<b>NET ASSETS</b>			
3800 Held in Trust	\$ 16,837	\$ 376,212	\$ 393,049
3000 Total Net Assets	<u>\$ 16,837</u>	<u>\$ 376,212</u>	<u>\$ 393,049</u>

**GILMER INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

ALL PRIVATE-PURPOSE TRUST FUNDS

FOR THE YEAR ENDED AUGUST 31, 2012

	809	836	Total Private-Purpose Trust Funds (See Exhibit E-2)
	Scholarship Fund	Scholarship Fund	
<b>Additions:</b>			
Gifts & Bequests	\$ 9,700	\$ --	\$ 9,700
Net Increase (Decrease) in Fair Value of Investments	--	38,711	38,711
Total Additions	9,700	38,711	48,411
<b>Deductions:</b>			
Scholarship Awards	11,250	11,450	22,700
Total Deductions	11,250	11,450	22,700
<b>Change in Net Assets</b>	(1,550)	27,261	25,711
Net Assets-Beginning of the Year	18,387	348,951	367,338
Net Assets-End of the Year	<u>\$ 16,837</u>	<u>\$ 376,212</u>	<u>\$ 393,049</u>

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## Other Supplementary Information

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

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2003 and Prior Years	\$	Various	\$	Various	\$	Various
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		1.04		.155		865,373,640
2012 (School Year Under Audit)		1.04		.155		837,522,343

1000 Totals

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

10 Beginning Balance 9/1/11	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/12
\$ 392,875	\$ --	\$ 193,701	\$ 763	\$ (24,447)	\$ 173,964
64,275	--	4,273	--	(1,189)	58,813
68,762	--	5,092	783	(709)	62,178
95,237	--	12,845	1,467	(534)	80,391
177,828	--	21,662	2,710	(1,415)	152,041
186,649	--	19,486	2,960	(2,758)	161,445
194,788	--	28,505	4,331	(2,813)	159,139
245,458	--	50,332	7,502	(7,154)	180,470
486,436	--	20,010	29,810	(15,189)	421,427
--	10,008,392	8,360,010	1,245,967	(2,987)	399,428
<u>\$ 1,912,308</u>	<u>\$ 10,008,392</u>	<u>\$ 8,715,916</u>	<u>\$ 1,296,293</u>	<u>\$ (59,195)</u>	<u>\$ 1,849,296</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

# GILMER INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

## SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2013-2014 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2012

### 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	\$ --	\$ --	\$ 225,276	\$ 176,099	\$ --	\$ 22,116	\$ 423,491
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	--	--	--	--	10,789	--	10,789
6212	Audit Services	--	--	--	20,200	--	--	20,200
6213	Tax Appraisal and Collection	--	197,917	--	--	--	--	197,917
621X	Other Prof. Services	--	--	--	--	2,362	--	2,362
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	--	--	7,624	7,624
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	--	11,477	--	11,477
6290	Miscellaneous Contr.	4,049	--	--	--	522	--	4,571
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	811	--	2,348	4,065	4,857	--	12,081
6410	Travel, Subsistence, Stipends	4,962	--	3,974	1,657	780	--	11,373
6420	Ins. and Bonding Costs	--	--	810	--	--	--	810
6430	Election Costs	3,233	--	--	--	--	--	3,233
6490	Miscellaneous Operating	1,922	--	4,942	2,357	13,297	--	22,518
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 14,977 \$ 197,917 \$ 237,350 \$ 204,378 \$ 44,084 \$ 29,740 \$ 728,446

Total Expenditures for General and Special Revenue Funds (9) \$ 20,448,388

#### LESS: Deductions of Unallowable Costs

#### FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 555,366
Total Debt & Lease (6500)	(11)	\$ 176,846
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 2,041,865
Food (Function 35, 6341 and 6499)	(13)	\$ 542,396
Stipends (6413)	(14)	\$ 6,480
Column 4 (above) - Total Indirect Cost		\$ 204,378

Subtotal 3,527,331

Net Allowed Direct Cost \$ 16,921,057

#### CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 37,951,742
Historical Cost of Buildings over 50 years old	(16)	4,414,747
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	3,597,335
Historical Cost of Furniture & Equipment over 16 years old	(19)	1,014,094
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 469,050

(8) Note A - No Function 53 expenditures and \$197,237 in Function 99 expenditures are included in this report on administrative costs.

**GILMER INDEPENDENT SCHOOL DISTRICT**
**EXHIBIT J-3**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 307,000	\$ 307,000	\$ 318,929	\$ 11,929
5800	State Program Revenues	8,000	14,000	12,006	(1,994)
5900	Federal Program Revenues	782,500	963,009	991,535	28,526
5020	Total Revenues	1,097,500	1,284,009	1,322,470	38,461
EXPENDITURES:					
Current:					
	Support Services - Student (Pupil):				
0035	Food Services	1,082,530	1,269,039	1,142,255	126,784
	Total Support Services - Student (Pupil)	1,082,530	1,269,039	1,142,255	126,784
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	14,970	14,970	9,824	5,146
	Total Support Services - Nonstudent Based	14,970	14,970	9,824	5,146
6030	Total Expenditures	1,097,500	1,284,009	1,152,079	131,930
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	170,391	170,391
1200	Net Change in Fund Balance	--	--	170,391	170,391
0100	Fund Balance - Beginning	313,686	313,686	313,686	--
3000	Fund Balance - Ending	\$ 313,686	\$ 313,686	\$ 484,077	\$ 170,391

# GILMER INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,304,081	\$ 1,304,081	\$ 1,327,899	\$ 23,818
5020	Total Revenues	1,304,081	1,304,081	1,327,899	23,818
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	520,000	520,000	520,000	--
0072	Interest on Long-Term Debt	830,487	830,487	753,885	76,602
0073	Bond Issuance Costs and Fees	--	39,533	161,333	(121,800)
	Total Debt Service	1,350,487	1,390,020	1,435,218	(45,198)
6030	Total Expenditures	1,350,487	1,390,020	1,435,218	(45,198)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(46,406)	(85,939)	(107,319)	(21,380)
Other Financing Sources (Uses):					
7911	Capital-Related Debt Issued (Regular Bonds)	--	34,533	8,805,000	8,770,467
7916	Premium or Discount on Issuance of Bonds	--	--	902,390	902,390
8949	Other Uses	--	--	(9,543,232)	(9,543,232)
7080	Total Other Financing Sources and (Uses)	--	34,533	164,158	129,625
1200	Net Change in Fund Balance	(46,406)	(51,406)	56,839	108,245
0100	Fund Balance - Beginning	297,053	297,053	297,053	--
3000	Fund Balance - Ending	\$ 250,647	\$ 245,647	\$ 353,892	\$ 108,245

# 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, 2012, which collectively comprise the Gilmer Independent School District's basic financial statements and have issued our report thereon dated December 11, 2012. 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

Management of Gilmer Independent School District is responsible for establishing and maintaining effective 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 11, 2012

# 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, 2012. Gilmer Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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, 2012.

#### 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 11, 2012

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

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 auditors' 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>
84.010	ESEA Title I Part A - Improving Basic Programs
84.410	Education Jobs Fund

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, 2012

<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, 2012

None required.

**GILMER INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010	12610101230902	\$ 569,662
ESEA Title I Part A - Improving Basic Programs *	84.010	13610101230902	21,221
Total CFDA Number 84.010			<u>590,883</u>
IDEA-B Formula *	84.027	126610012309016600	244,346
IDEA-B Formula *	84.027	136610012309016600	12,056
Total CFDA Number 84.027			<u>256,402</u>
Career and Technical - Basic Grant	84.048	12420006230902	30,595
IDEA-B Preschool *	84.173	126610012309016610	13,404
IDEA-B Preschool *	84.173	136610012309016610	1,238
Total CFDA Number 84.173			<u>14,642</u>
Title III Part A English Language Acquisition and Language Enhancement	84.365	12671001230902	12,938
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	12694501230902	160,350
Summer School LEP	84.369A	69551002	1,110
Education Jobs Fund	84.410	11550101230902	397,351
Total Passed Through State Department of Education			<u>1,464,271</u>
Total U. S. Department of Education			<u>1,464,271</u>
<b>U. S. DEPARTMENT OF DEFENSE</b>			
Direct Program:			
ROTC	12.000	230-902	53,872
Total U. S. Department of Defense			<u>53,872</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through Texas Department of Agriculture:			
Summer Feeding Program *	10.559	230-902	37,115
Passed Through State Department of Education:			
School Breakfast Program *	10.553	230-902	263,099
Food Distribution (Non-cash) *	10.555	230-902	80,976
National School Lunch Program *	10.555	230-902	610,345
Total CFDA Number 10.555			<u>691,321</u>
Total Passed Through State Department of Education			<u>954,420</u>
Total U. S. Department of Agriculture			<u>991,535</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,509,678</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, 2012**

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 - Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. At August 31, 2012, the District had food commodities totaling \$8,643 in inventory.

**GILMER INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2012

<u>Data Control Codes</u>		<u>Responses</u>
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?	\$ 23,130