

**GILMER
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2013

Introductory Section

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Gilmer Independent School District
Annual Financial Report
For The Year Ended August 31, 2013

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CERTIFICATE OF BOARD

Gilmer Independent School District
Name of School District

Upshur
County

230-902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____approved _____disapproved for the year ended August 31, 2013, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

SIGNATURES ON FILE WITH TEA

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gilmer Independent School District ("the District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gilmer Independent School District as of August 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in

accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements, in 2013, Gilmer Independent School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and Statement No. 65, "Items Previously Reported as Assets and Liabilities". Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 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* in considering Gilmer Independent School District's internal control over financial reporting and compliance.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.
Longview, Texas
December 10, 2013

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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, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

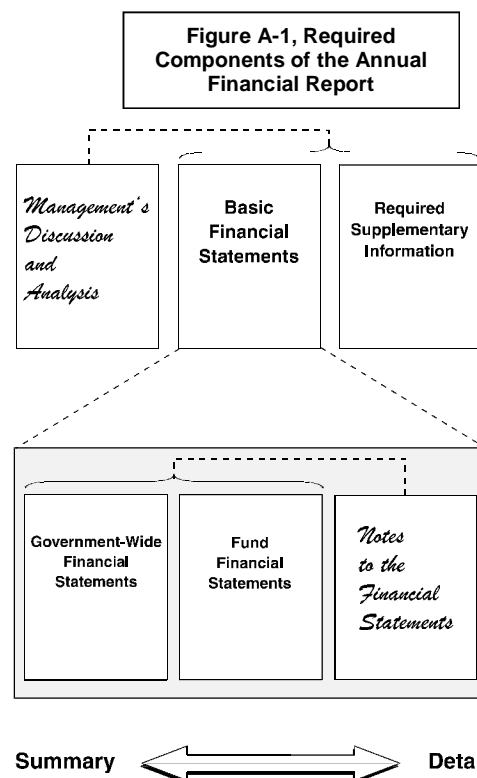
FINANCIAL HIGHLIGHTS

- i The District's total net position was \$11,449,714 at August 31, 2013.
- i During the year, the District's General Fund expenditures were \$816,993 more than the \$17,650,951 generated in taxes and other revenues for governmental activities.
- i The total cost of the District's programs increased by \$2,775,937 from the previous year. The majority of the increase, \$1,836,411 occurred in the Other Governmental Funds, primarily the Capital Projects Fund. Total costs in the General Operating Fund increased \$939,526 from the previous year.
- i The district made investments in capital asset acquisitions (\$87,000) and facility maintenance and improvements (\$327,000) in the amount of \$414,000 during the fiscal year ending August 31, 2013. In addition to these investments, the district invested \$46,000 in small equipment purchases.
- i The general fund reported a fund balance of \$5,307,895 at fiscal year end, which was a decrease of \$314,762 over the previous year.
- i The overall financial position of Gilmer Independent School District remains very strong and has shown steady improvement over the past several years through increases in both fund balance and net position. The district tax base decreased in fiscal year 2013 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:

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



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

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

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

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

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position 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 position and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

- i *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- i *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- i The District uses *internal service funds* to report activities that provide supplies and services for the District's other programs and activities.
- i *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. 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 issued maintenance tax notes in the amount of \$2,110,000 in fiscal year 2013 to fund stadium improvements including a new press box and seating. The revenue and expenditures related to these capital improvements were recorded in the capital projects fund. The project was substantially completed during fiscal year 2013, with the final payment to be made in early fiscal year 2014.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position (See Table A-1). The District's Governmental activity net position was \$11,449,395 at August 31, 2013. Overall, the district had a decrease of 7.5% in net position from prior year. The district had minimal Business-type activities during the fiscal year.

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

	Governmental Activities			% Change	Business Activities			Total Activities			% Change
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2012- 2013</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2012- 2013</u>
ASSETS:											
Current assets:											
Cash and Cash Equivalents	7,383,207	7,623,806	5,705,282	-3%	1,417	659	-	7,384,624	7,624,465	5,705,282	-3%
Property Taxes Receivable (Net)	1,310,279	1,294,508	1,338,617	1%	-	-	-	1,310,279	1,294,508	1,338,617	1%
Due from Other Governments	380,664	314,232	1,377,708	21%	-	-	-	380,664	314,232	1,377,708	21%
Other Receivables	706	583	1,747	21%	-	-	-	706	583	1,747	21%
Unrealized Expenses	55,491	55,491	63,965	0%	-	-	-	55,491	55,491	63,965	0%
Inventories	42,895	39,216	34,223	9%	7,521	-	-	50,416	39,216	34,223	29%
Capitalized Bond & Debt Issuance Cost	-	240,258	103,257	-100%	-	-	-	-	240,258	103,257	-100%
Total current assets	9,173,242	9,568,094	8,624,799	-4%	8,938	659	-	9,182,180	9,568,753	8,624,799	-4%
Noncurrent assets:											
Land	1,220,020	1,220,020	1,220,019	0%	-	-	-	1,220,020	1,220,020	1,220,019	0%
Buildings, Furniture and Equipment	41,865,527	41,549,077	41,134,629	1%	-	-	-	41,865,527	41,549,077	41,134,629	1%
Less Accumulated Depreciation	(20,999,752)	(19,810,020)	(18,754,980)	6%	-	-	-	(20,999,752)	(19,810,020)	(18,754,980)	6%
Construction In Progress	2,293,459	75,739	-	2928%	-	-	-	2,293,459	75,739	-	2928%
Total Noncurrent Assets	24,379,254	23,034,816	23,599,668	6%	-	-	-	24,379,254	23,034,816	23,599,668	6%
Total Assets	33,552,496	32,602,910	32,224,467	3%	8,938	659	-	33,561,434	32,603,569	32,224,467	3%
DEFERRED OUTFLOWS OF RESOURCES:											
Deferred Loss on Defeasance of Debt	1,043,192	n/a	n/a	100%	-	n/a	n/a	1,043,192	n/a	n/a	100%
Total Deferred Outflows of Resources	1,043,192	n/a	n/a	100%	-	n/a	n/a	1,043,192	n/a	n/a	100%
LIABILITIES:											
Current liabilities:											
Accounts Payable and Accrued Liabilities	1,258,787	1,095,209	1,118,006	15%	8,619	-	-	1,267,406	1,095,209	1,118,006	16%
Deferred Revenue	81,246	78,011	22,869	4%	-	-	-	81,246	78,011	22,869	4%
Total Current Liabilities	1,340,033	1,173,220	1,140,875	14%	8,619	-	-	1,348,652	1,173,220	1,140,875	15%
Long-term liabilities:											
Due Within One Year	917,221	746,833	678,928	23%	-	-	-	917,221	746,833	678,928	23%
Due in More than One Year	20,889,039	18,302,108	18,897,226	14%	-	-	-	20,889,039	18,302,108	18,897,226	14%
Total Long Term Liabilities	21,806,260	19,048,941	19,576,154	14%	-	-	-	21,806,260	19,048,941	19,576,154	14%
Total Liabilities	23,146,293	20,222,161	20,717,029	14%	8,619	-	-	23,154,912	20,222,161	20,717,029	15%

NET POSITION

Net Investment in Capital Assets	4,116,186	4,478,567	4,334,871	-8%	-	-	-	4,116,186	4,478,567	4,334,871	-8%
Restricted for Other Purposes	974,036	1,016,275	815,121	-4%	-	-	-	974,036	1,016,275	815,121	-4%
Unrestricted	6,359,173	6,885,907	6,357,446	-8%	319	659	-	6,359,492	6,886,566	6,357,446	-8%
Total Net Position	11,449,395	12,380,749	11,507,438	-8%	319	659	-	11,449,714	12,381,408	11,507,438	-8%

The \$6,359,492 of unrestricted net position represents resources available to fund the governmental activity programs of the District during the next fiscal year.

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

Governmental Activities - The District's total revenue for governmental activities was \$21,502,993, which included \$3,812,714 for services and operating grants and contributions, and \$17,690,279 in general revenues.

For fiscal year 2013, approximately 56% of the District's general revenue came from taxes, 43% from state aid, federal programs and specific grants, and the remaining 1% from investment earnings and miscellaneous local sources. The total expenses of all District governmental activity programs and services was \$22,194,090, with approximately 74% of these costs for instructional and student related services.

Governmental Activities

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

	Governmental Activities			Business-Type Activities			Total Activities			% Change
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013- 2012
Program Revenues:										
Charges for Services	805,555	683,906	707,692	-	-	-	805,555	683,906	707,692	18%
Operating Grants and Contributions	3,007,159	3,438,973	3,478,803	-	-	-	3,007,159	3,438,973	3,478,803	-13%
General Revenues:										
Property Taxes	9,838,356	10,227,538	10,415,320	-	-	-	9,838,356	10,227,538	10,415,320	-4%
State Aid – Formula	7,582,461	7,688,791	8,634,775	-	-	-	7,582,461	7,688,791	8,634,775	-1%
Investment Earnings	38,928	42,966	53,215	-	-	-	38,928	42,966	53,215	-9%
Other	230,534	431,943	184,888	240	1,370	-	230,774	433,313	184,888	-47%
Total Revenues	21,502,993	22,514,117	23,474,693	240	1,370	-	21,503,233	22,515,487	23,474,693	-4%
Program Expenditures										
Instruction	11,221,210	10,733,017	12,031,023	580	711	-	11,221,790	10,733,728	12,031,023	5%
Instructional Resources and Media Services	535,860	492,188	537,924	-	-	-	535,860	492,188	537,924	9%
Curriculum Development and Instructional Staff Dev.	387,598	423,266	339,577	-	-	-	387,598	423,266	339,577	-8%
Instructional Leadership	120,580	118,318	93,974	-	-	-	120,580	118,318	93,974	2%
School Leadership	1,108,607	1,132,347	1,208,550	-	-	-	1,108,607	1,132,347	1,208,550	-2%

Guidance, Counseling and Evaluation Services	553,735	556,745	595,872	-	-	-	553,735	556,745	595,872	-1%
Health Services	249,231	245,380	268,060	-	-	-	249,231	245,380	268,060	2%
Student Transportation	896,344	946,659	963,365	-	-	-	896,344	946,659	963,365	-5%
Food Services	1,275,699	1,193,633	1,298,681	-	-	-	1,275,699	1,193,633	1,298,681	7%
CoCurricular/Extracurricular Activities	1,616,955	1,527,287	1,567,235	-	-	-	1,616,955	1,527,287	1,567,235	6%
General Administration	536,905	536,707	560,009	-	-	-	536,905	536,707	560,009	0%
Plant Maintenance & Oper.	2,064,893	1,984,173	2,132,444	-	-	-	2,064,893	1,984,173	2,132,444	4%
Security & Monitoring Svcs.	150,769	147,507	149,599	-	-	-	150,769	147,507	149,599	2%
Data Processing Services	118,250	115,489	119,059	-	-	-	118,250	115,489	119,059	2%
Community Services	30,699	31,688	38,212	-	-	-	30,699	31,688	38,212	-3%
Debt Service	458,137	750,883	882,493	-	-	-	458,137	750,883	882,493	-39%
Bond Issuance Costs	201,680	24,332	6,034	-	-	-	201,680	24,332	6,034	729%
Facilities Acquisition and Construction	-	-	9,166	-	-	-	-	-	9,166	
Payments to Fiscal Agent/Member Dist. – SSA	468,622	483,950	495,292	-	-	-	468,622	483,950	495,292	-3%
Other Intergovernmental Charges	198,316	197,237	215,194	-	-	-	198,316	197,237	215,194	1%
Total Expenses	22,194,090	21,640,806	23,511,763	580	711	-	22,194,670	21,641,517	23,511,763	3%
Net Position (NP) – Beginning	12,380,749	11,507,438	11,487,003	659	-	57,504	12,381,408	11,507,438	11,544,507	8%
Adjustment to NP -Beginning	(240,257)	-	-	-	-	-	(240,257)	-	-	
Excess Before Other Resources, Uses & Transfers	(691,097)	873,311	(37,070)	(340)	659	-	(691,437)	873,970	(37,070)	-179%
Other Resources (Uses)	-	-	-	-	-	-	-	-	-	
Transfers In (Out)	-	-	57,504	-	-	(57,504)	-	-	-	
Net Position (NP) - Ending	11,449,395	12,380,749	11,507,437	319	659	-	11,449,714	12,381,408	11,507,437	-8%
Change in Net Position	(691,097)	873,311	20,434	(340)	659	(57,504)	(691,437)	873,970	(37,070)	-179%

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

- i The cost of all *governmental* activities this year was \$22,194,090.
- i The amount that District taxpayers funded for these activities through property taxes was \$9,838,356.
- i The remaining costs were funded by state aid, federal grants and contributions in the amount of \$10,589,620 or
- i By interest and other miscellaneous revenues of \$269,702.

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

	Total Cost of Services				Net Cost of Services			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	% Change <u>2013-</u> <u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	% Change <u>2013-</u> <u>2012</u>
Instruction	11,221,210	10,733,017	12,031,023	5%	9,477,844	8,824,580	10,037,510	7%
School Administration	1,108,607	1,132,347	1,208,550	-2%	1,057,212	1,075,732	1,143,264	-2%
Plant Maintenance and Operations	2,064,893	1,984,173	2,132,444	4%	2,004,242	1,923,475	2,053,032	4%
Debt Service – Interest and Fiscal Charges	659,817	775,215	888,527	-15%	659,817	775,215	888,527	-15%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Total revenues from governmental fund types totaled \$21,487,223, a decrease of \$1,071,003 from the previous year. General fund revenue decreased \$481,937 while non-major governmental funds revenue decreased \$589,066. 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 \$1,221,177 below final budgeted amounts.

The district invested \$87,000 in capital assets, including a computer server, scoreboards for the softball and baseball fields, security equipment and grounds equipment. The district also invested approximately \$327,000 for facility maintenance and improvements to district property. The major facility maintenance and improvements were to resurface the track, replace HVAC units, add a restroom for special needs students, paint the high school exterior and visitor bleachers, and various other non-routine roofing, lighting, parking lot, electrical and athletic field projects. In addition to capital asset and facility improvements, the district invested \$46,000 in small equipment purchases. All capital asset acquisitions, facility maintenance, and property improvements were funded entirely by available district funds.

The district adopted a deficit budget in the amount of \$493,170 for the 2013 fiscal year with the intent of using fund balance to cover the deficit.

The general operating fund balance decreased by \$314,762 for an ending balance of \$5,307,895 as of August 31, 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013, the District had invested \$45,379,006 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 \$2,534,170 over the previous fiscal year.

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

	Governmental Activities			Total Percentage Change
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013-2012</u>
Land	1,220,020	1,220,020	1,220,020	0%
Buildings and improvements	38,162,986	37,951,742	37,467,171	1%
Construction in Progress	2,293,459	75,739	-	2928%
Vehicles	2,140,957	2,119,015	2,250,565	1%
Equipment	1,561,584	1,478,320	1,416,893	6%
Assets under Capital Lease	-	-	-	
Totals at historical cost	<u>45,379,006</u>	<u>42,844,836</u>	<u>42,354,649</u>	6%
Total accumulated depreciation	<u>(20,999,752)</u>	<u>(19,810,020)</u>	<u>(18,754,980)</u>	6%
Net capital assets	<u><u>24,379,254</u></u>	<u><u>23,034,816</u></u>	<u><u>23,599,669</u></u>	6%

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 \$20,444,980 in outstanding debt as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

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

	Governmental Activities			Total Percentage Change
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013-2012</u>
Bonds Payable	17,785,000	18,545,000	19,065,000	-4%
Notes payable	2,659,980	352,425	511,154	655%
Capital Leases	-	-	-	
Total Debt	<u><u>20,444,980</u></u>	<u><u>18,897,425</u></u>	<u><u>19,576,154</u></u>	8%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- i Appraised value used for the 2014 budget preparation is up \$593,957, which is less than 1% more than prior year.
- i General operating funds budgeted per student increased in the 2014 budget from \$7,376 to \$7,806.
- i The District's 2014 refined average daily attendance was anticipated to increase by approximately 1% of the final 2013 refined average daily attendance of 2202.

These indicators were taken into account when adopting the general fund budget for 2014. Amounts available for appropriation in the general fund are \$18,368,182, an increase of \$717,231 over final revenues for 2013. The district adopted a deficit budget in the amount of \$471,383 for the 2014 school year and intended to use fund balance to cover the deficit. Subsequent to budget adoption, the district board of trustees voted to hold a Tax Ratification Election in September, 2013, in order to gain approximately \$200,000 in additional state aid. The election passed, and the additional revenue will be used to offset the budgeted deficit. District staff received a pay increase of approximately 2% of the midpoint for 2014. 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 2014 adopted general fund budget expenditures are expected to decrease from the 2013 final amended budget from \$20,028,444 to \$18,368,182.

If these estimates are realized, the District's budgetary general fund balance is expected to decrease by \$271,383 for the 2013-2014 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.

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Basic Financial Statements

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

Data Control Codes		1	2	3
		Governmental Activities	Business-type Activities	Total
ASSETS:				
1110	Cash and Cash Equivalents	\$ 4,229,236	\$ 1,417	\$ 4,230,653
1120	Current Investments	3,153,971	--	3,153,971
1225	Property Taxes Receivable (Net)	1,310,279	--	1,310,279
1240	Due from Other Governments	380,664	--	380,664
1250	Accrued Interest	706	--	706
1300	Inventories	42,895	7,521	50,416
1410	Unrealized Expenses	55,491	--	55,491
Capital Assets:				
1510	Land	1,220,020	--	1,220,020
1520	Buildings and Improvements, Net	20,041,364	--	20,041,364
1530	Furniture and Equipment, Net	824,411	--	824,411
1580	Construction in Progress	2,293,459	--	2,293,459
1000	Total Assets	<u>33,552,496</u>	<u>8,938</u>	<u>33,561,434</u>
DEFERRED OUTFLOWS OF RESOURCES:				
1700	Deferred Loss on Defeasance of Debt	1,043,192	--	1,043,192
1700	Total Deferred Outflows of Resources	<u>1,043,192</u>	<u>--</u>	<u>1,043,192</u>
LIABILITIES:				
2110	Accounts Payable	627,857	8,619	636,476
2140	Interest Payable	29,600	--	29,600
2165	Accrued Liabilities	595,993	--	595,993
2180	Due to Other Governments	5,337	--	5,337
2300	Unearned Revenue	81,246	--	81,246
Noncurrent Liabilities:				
2501	Due Within One Year	917,221	--	917,221
2502	Due in More Than One Year	20,889,039	--	20,889,039
2000	Total Liabilities	<u>23,146,293</u>	<u>8,619</u>	<u>23,154,912</u>
NET POSITION				
3200	Net Investment in Capital Assets	4,116,186	--	4,116,186
Restricted For:				
3820	State and Federal Programs	460,165	--	460,165
3850	Debt Service	425,138	--	425,138
3870	Campus Activities	88,733	--	88,733
3900	Unrestricted	6,359,173	319	6,359,492
3000	Total Net Position	<u>\$ 11,449,395</u>	<u>\$ 319</u>	<u>\$ 11,449,714</u>

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues	
			Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 11,221,210	\$ 338,426	\$ 1,404,940
12	Instructional Resources and Media Services	535,860	--	24,341
13	Curriculum and Staff Development	387,598	--	237,861
21	Instructional Leadership	120,580	--	3,870
23	School Leadership	1,108,607	--	51,395
31	Guidance, Counseling, & Evaluation Services	553,735	--	133,509
33	Health Services	249,231	--	14,424
34	Student Transportation	896,344	--	31,754
35	Food Service	1,275,699	300,700	981,457
36	Cocurricular/Extracurricular Activities	1,616,955	161,299	36,528
41	General Administration	536,905	--	18,992
51	Facilities Maintenance and Operations	2,064,893	5,130	55,521
52	Security and Monitoring Services	150,769	--	410
53	Data Processing Services	118,250	--	4,245
61	Community Services	30,699	--	7,912
72	Interest on Long-term Debt	458,137	--	--
73	Bond Issuance Costs and Fees	201,680	--	--
93	Payments Related to Shared Services Arrangements	468,622	--	--
99	Other Intergovernmental Charges	198,316	--	--
TG	Total Governmental Activities	<u>22,194,090</u>	<u>805,555</u>	<u>3,007,159</u>
	Business-type Activities:			
02	District Enterprise	580	--	--
TB	Total Business-type Activities	<u>580</u>	<u>--</u>	<u>--</u>
TP	Total Primary Government	<u>\$ 22,194,670</u>	<u>\$ 805,555</u>	<u>\$ 3,007,159</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 and Transfers			
CN	Change in Net Position			
NB	Net Position - Beginning			
PA	Prior Period Adjustment			
	Net Position - Beginning, as Restated			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (9,477,844)		\$ (9,477,844)
(511,519)		(511,519)
(149,737)		(149,737)
(116,710)		(116,710)
(1,057,212)		(1,057,212)
(420,226)		(420,226)
(234,807)		(234,807)
(864,590)		(864,590)
6,458		6,458
(1,419,128)		(1,419,128)
(517,913)		(517,913)
(2,004,242)		(2,004,242)
(150,359)		(150,359)
(114,005)		(114,005)
(22,787)		(22,787)
(458,137)		(458,137)
(201,680)		(201,680)
(468,622)		(468,622)
(198,316)		(198,316)
<u>(18,381,376)</u>		<u>(18,381,376)</u>
--	(580)	(580)
--	(580)	(580)
<u>(18,381,376)</u>	<u>(580)</u>	<u>(18,381,956)</u>
8,636,429	--	8,636,429
1,201,927	--	1,201,927
38,928	--	38,928
7,582,461	--	7,582,461
230,534	240	230,774
<u>17,690,279</u>	<u>240</u>	<u>17,690,519</u>
(691,097)	(340)	(691,437)
12,380,749	659	12,381,408
(240,257)	--	(240,257)
12,140,492	659	12,141,151
<u>\$ 11,449,395</u>	<u>\$ 319</u>	<u>\$ 11,449,714</u>

GILMER INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2013

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110 Cash and Cash Equivalents	\$ 3,134,226	\$ 699,132	\$ 3,833,358
1120 Current Investments	2,848,878	305,093	3,153,971
1225 Taxes Receivable, Net	1,177,439	132,840	1,310,279
1240 Due from Other Governments	328,738	51,926	380,664
1250 Accrued Interest	706	--	706
1260 Due from Other Funds	5,667	--	5,667
1300 Inventories	4,582	38,313	42,895
1000 Total Assets	<u>7,500,236</u>	<u>1,227,304</u>	<u>8,727,540</u>
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ 393,720	\$ 156,608	\$ 550,328
2150 Payroll Deductions & Withholdings	625	--	625
2160 Accrued Wages Payable	557,081	38,287	595,368
2170 Due to Other Funds	--	5,667	5,667
2180 Due to Other Governments	5,337	--	5,337
2300 Unearned Revenue	58,140	23,106	81,246
2000 Total Liabilities	<u>1,014,903</u>	<u>223,668</u>	<u>1,238,571</u>
DEFERRED INFLOWS OF RESOURCES:			
2600 Deferred Property Tax Revenue	<u>1,177,438</u>	<u>132,840</u>	<u>1,310,278</u>
2600 Total Deferred Inflows of Resources	<u>1,177,438</u>	<u>132,840</u>	<u>1,310,278</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 Inventories	4,581	19,540	24,121
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	440,625	440,625
3480 Retirement of Long-Term Debt	--	321,898	321,898
Committed Fund Balances:			
3510 Construction	2,000,000	--	2,000,000
3545 Other Committed Fund Balance	500,000	88,733	588,733
Assigned Fund Balances:			
3550 Construction	41,252	--	41,252
3570 Capital Expenditures for Equipment	335,765	--	335,765
3600 Unassigned	<u>2,426,297</u>	<u>--</u>	<u>2,426,297</u>
3000 Total Fund Balances	<u>5,307,895</u>	<u>870,796</u>	<u>6,178,691</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 7,500,236</u>	<u>\$ 1,227,304</u>	<u>\$ 8,727,540</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 POSITION
AUGUST 31, 2013**

Total fund balances - governmental funds balance sheet	\$ 6,178,691
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	24,379,254
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,310,278
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	318,348
Payables for bond principal which are not due in the current period are not reported in the funds.	(17,785,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(29,600)
Payables for notes which are not due in the current period are not reported in the funds.	(2,659,980)
Premium on issuance of bonds is not reported in the funds.	(1,291,696)
Prepaid insurance is not reported in the funds.	55,491
Accreted interest on capital appreciation bonds is not reported in the funds.	(69,584)
The deferred loss on defeasance of debt is not reported in the funds.	1,043,192
Rounding difference	1
Net position of governmental activities - Statement of Net Position	<u>\$ 11,449,395</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, 2013

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 9,164,299	\$ 1,636,380	\$ 10,800,679
5800 State Program Revenues	8,336,089	216,878	8,552,967
5900 Federal Program Revenues	150,563	1,983,014	2,133,577
5020 Total Revenues	<u>17,650,951</u>	<u>3,836,272</u>	<u>21,487,223</u>
EXPENDITURES:			
Current:			
0011 Instruction	9,492,793	988,479	10,481,272
0012 Instructional Resources and Media Services	513,868	--	513,868
0013 Curriculum and Staff Development	153,727	234,119	387,846
0021 Instructional Leadership	120,709	--	120,709
0023 School Leadership	1,100,923	1,120	1,102,043
0031 Guidance, Counseling, & Evaluation Services	443,048	110,443	553,491
0033 Health Services	246,827	--	246,827
0034 Student Transportation	821,906	--	821,906
0035 Food Service	--	1,292,480	1,292,480
0036 Cocurricular/Extracurricular Activities	1,439,070	--	1,439,070
0041 General Administration	532,948	--	532,948
0051 Facilities Maintenance and Operations	2,195,689	14,970	2,210,659
0052 Security and Monitoring Services	155,028	--	155,028
0053 Data Processing Services	130,298	--	130,298
0061 Community Services	24,131	6,575	30,706
0071 Principal on Long-term Debt	302,445	745,000	1,047,445
0072 Interest on Long-term Debt	--	506,610	506,610
0073 Bond Issuance Costs and Fees	33,542	168,138	201,680
0081 Capital Outlay	94,054	2,123,665	2,217,719
0093 Payments to Shared Service Arrangements	468,622	--	468,622
0099 Other Intergovernmental Charges	198,316	--	198,316
6030 Total Expenditures	<u>18,467,944</u>	<u>6,191,599</u>	<u>24,659,543</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(816,993)</u>	<u>(2,355,327)</u>	<u>(3,172,320)</u>
Other Financing Sources and (Uses):			
7911 Debt Issued (Refunding Bonds)	--	6,240,000	6,240,000
7914 Issuance of Non-Current Debt	500,000	2,110,000	2,610,000
7915 Transfers In	2,231	--	2,231
7916 Premium or Discount on Issuance of Bonds	--	585,395	585,395
7917 Prepaid Interest	--	13,639	13,639
8911 Transfers Out	--	(2,231)	(2,231)
8949 Other Uses - Payment to Bond Escrow Agent	--	(6,640,250)	(6,640,250)
7080 Total Other Financing Sources and (Uses)	<u>502,231</u>	<u>2,306,553</u>	<u>2,808,784</u>
1200 Net Change in Fund Balances	<u>(314,762)</u>	<u>(48,774)</u>	<u>(363,536)</u>
0100 Fund Balances - Beginning	5,622,657	919,570	6,542,227
3000 Fund Balances - Ending	<u>\$ 5,307,895</u>	<u>\$ 870,796</u>	<u>\$ 6,178,691</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, 2013

Net change in fund balances - total governmental funds \$ (363,536)

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

Capital outlays are not reported as expenses in the SOA.	2,534,170
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,189,732)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	15,770
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	745,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	302,445
The accretion of interest on capital appreciation bonds is not reported in the funds.	(46,454)
(Increase) decrease in accrued interest from beginning of period to end of period.	1,260
The net revenue (expense) of internal service funds is reported with governmental activities.	25,097
The purchase of securities to refund outstanding bond issues is reported as other uses in the funds.	6,640,250
The loss on defeasance of debt is not recorded in the funds.	(54,657)
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,610,000)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(6,240,000)
Bond premiums are reported in the funds but not in the SOA.	(450,711)
Rounding	1

Change in net position of governmental activities - Statement of Activities \$ (691,097)

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

STATEMENT OF NET PROPRIETARY FUNDS

AUGUST 31, 2013

Data Control Codes		Nonmajor Enterprise Funds	Nonmajor Internal Service Fund
			Insurance Fund
ASSETS:			
Current Assets:			
1110	Cash and Cash Equivalents	\$ 1,417	\$ 395,877
1310	Inventories, at Cost	7,521	--
	Total Current Assets	8,938	395,877
1000	Total Assets	8,938	395,877
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ 8,619	\$ 77,529
	Total Current Liabilities	8,619	77,529
2000	Total Liabilities	8,619	77,529
NET POSITION:			
3900	Unrestricted	319	318,348
3000	Total Net Position	\$ 319	\$ 318,348

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

			Nonmajor Enterprise Funds	Nonmajor Internal Service Fund
Data Control Codes				Insurance Fund
OPERATING REVENUES:				
5700	Local and Intermediate Sources	\$	240	\$ 49,870
5020	Total Revenues		240	49,870
OPERATING EXPENSES:				
6400	Other Operating Costs		580	24,773
6030	Total Expenses		580	24,773
1300	Change in Net Position		(340)	25,097
0100	Total Net Position - Beginning		659	293,251
3300	Total Net Position - Ending	\$	319	\$ 318,348

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, 2013

	Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities:		
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	\$ --	\$ 49,838
Cash Payments to Other Suppliers for Goods and Services	(580)	(66,393)
Cash Received from Customers	1,338	--
Net Cash Provided (Used) by Operating Activities	<u>758</u>	<u>(16,555)</u>
Cash Flows from Non-capital Financing Activities:		
Transfers From (To) Other Funds	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>	<u>--</u>
Cash Flows from Capital and Related Financing Activities:		
Contributed Capital	--	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>	<u>--</u>
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	--	32
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>32</u>
Net Increase (Decrease) in Cash and Cash Equivalents	758	(16,523)
Cash and Cash Equivalents at Beginning of Year	659	412,400
Cash and Cash Equivalents at End of Year	<u>\$ 1,417</u>	<u>\$ 395,877</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (340)	\$ 25,097
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Investment Income	--	(32)
Changes in Assets and Liabilities:		
Decrease (Increase) in Inventories	(7,521)	--
Increase (Decrease) in Accounts Payable	8,619	(41,620)
Total Adjustments	<u>1,098</u>	<u>(41,652)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 758</u>	<u>\$ (16,555)</u>

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2013

			Agency Funds
Data Control Codes		Private-purpose Trust Funds	Student Activity
ASSETS:			
1110	Cash and Cash Equivalents	\$ 23,807	\$ 45,157
1120	Current Investments	75,871	--
1250	Accrued Interest	16	--
1800	Restricted Assets	343,276	--
1000	Total Assets	<u>442,970</u>	<u>45,157</u>
LIABILITIES:			
Current Liabilities:			
2190	Due to Student Groups	\$ --	\$ 45,157
2000	Total Liabilities	<u>--</u>	<u>45,157</u>
NET POSITION:			
3800	Held in Trust	442,970	--
3000	Total Net Position	<u>\$ 442,970</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

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

	Private- Purpose Trusts
Additions:	
Gifts and Bequests	\$ 11,450
Net (Decrease) in Fair Value of Investments	61,821
Total Additions	<u>73,271</u>
Deductions:	
Scholarship Awards	<u>23,350</u>
Total Deductions	<u>23,350</u>
Change in Net Position	49,921
Net Position-Beginning of the Year	<u>393,049</u>
Net Position-End of the Year	<u><u>\$ 442,970</u></u>

The accompanying notes are an integral part of this statement.

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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.

For the year ended August 31, 2013, the District adopted the provisions of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and Statement No. 65, "Items Previously Reported as Assets and Liabilities". Additional information on the effect of this change can be found in section 3.e of this note and also in Note P.

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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

In addition, the District reports the following fund types:

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

Enterprise Funds: 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: These funds are 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.

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

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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, 2013 is \$561,546.

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 unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include instructional supplies.

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

d. Capital Assets

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

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

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

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The only deferred outflow of resources reported in this year's financial statements is a deferred amount arising from the refunding of general obligation bonds in the current and prior years. This deferred refunding amount is being amortized over the remaining life of the refunded bonds as part of interest expense. No deferred outflows of resources affect the governmental funds financial statements in the current year.

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

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

recognized as an inflow of resources (revenue) until that time. The District has only one type of item which occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, deferred property taxes are reported in the governmental funds balance sheet. The District did not have deferred inflows of resources to report in its government-wide or proprietary fund financial statements for the current year.

f. Receivable and Payable Balances

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

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

g. Interfund Activity

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

h. Use of Estimates

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

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority.

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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.

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.

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.

k. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

l. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,299,617 and the bank balance was \$4,699,800. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	60 days or less	\$ 1,122,293
Certificate of Deposit	02/22/2014	2,031,678
Certificate of Deposit	05/21/2014	75,871
Total Investments		<u>\$ 3,229,842</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, 2013, 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:

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

D. Capital Assets

Capital asset activity for the year ended August 31, 2013, 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	2,217,720	--	2,293,459
Total capital assets not being depreciated	<u>1,295,759</u>	<u>2,217,720</u>	<u>--</u>	<u>3,513,479</u>
Capital assets being depreciated:				
Buildings and improvements	37,951,742	211,244	--	38,162,986
Equipment	1,478,320	83,264	--	1,561,584
Vehicles	2,119,015	21,942	--	2,140,957
Total capital assets being depreciated	<u>41,549,077</u>	<u>316,450</u>	<u>--</u>	<u>41,865,527</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,104,409)	(1,017,213)	--	(18,121,622)
Equipment	(1,096,875)	(76,875)	--	(1,173,750)
Vehicles	(1,608,736)	(95,644)	--	(1,704,380)
Total accumulated depreciation	<u>(19,810,020)</u>	<u>(1,189,732)</u>	<u>--</u>	<u>(20,999,752)</u>
Total capital assets being depreciated, net	<u>21,739,057</u>	<u>(873,282)</u>	<u>--</u>	<u>20,865,775</u>
Governmental activities capital assets, net	<u>\$ 23,034,816</u>	<u>\$ 1,344,438</u>	<u>\$ --</u>	<u>\$ 24,379,254</u>

Depreciation was charged to functions as follows:

Instruction	\$ 749,782
Instructional Resources and Media Services	22,446
School Leadership	7,510
Guidance, Counseling, & Evaluation Services	790
Health Services	2,656
Student Transportation	78,276
Food Services	58,989
Extracurricular Activities	223,053
General Administration	4,223
Plant Maintenance and Operations	35,592
Security and Monitoring Services	4,665
Data Processing Services	1,750
	<u>\$ 1,189,732</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2013, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 5,667	Short-term loans
	Total	<u>\$ 5,667</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, 2013, consisted of the following:

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

Other Governmental Funds	General Fund		\$ 2,231	Reimburse expenditures
	Total		<u>\$ 2,231</u>	

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 18,545,000	\$ 6,240,000	\$ 7,000,000	\$ 17,785,000	\$ 670,000
Notes	352,425	2,610,000	302,445	2,659,980	247,221
Accreted interest on CABs	23,130	46,454	--	69,584	--
Unamortized bond premium	840,985	585,394	134,683	1,291,696	--
Total governmental activities	<u>\$ 19,761,540</u>	<u>\$ 9,481,848</u>	<u>\$ 7,437,128</u>	<u>\$ 21,806,260</u>	<u>\$ 917,221</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.

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. On June 20, 2013, the District entered into a loan agreement with Gilmer National Bank for the purpose of capital improvements and equipment purchases. The original amount of the loan was \$500,000.

On February 15, 2013, the District issued Maintenance Tax Notes in the amount of \$2,110,000 to finance improvements to the stadium.

Notes payable currently outstanding are as follows:

<u>Purpose:</u>	Interest Rates	Maturity Date	Amount
Governmental Activities - Capital Purchases	2.988%	4/30/2014	\$ 49,980
Governmental Activities - Capital Purchases	3.0%	8/16/2018	500,000
Governmental Activities - Capital Purchases	2.0-2.5%	8/15/2030	2,110,000
			<u>\$ 2,659,980</u>

3. Bonds Payable

Bonds payable currently outstanding are as follows:

<u>Title of Issue:</u>	Interest Rates	Maturity Date	Amount
Series 2003 Unlimited Tax School Building Bonds	3.55%	2/15/2014	\$ 245,000
Series 2004 Unlimited Tax School Building Bonds	6.00%	2/15/2014	235,000
Series 2005 Unlimited Tax School Building Bonds	4.25-6.00%	2/15/2032	2,455,000
Series 2012 Unlimited Tax Refunding Bonds	2.00-3.50%	2/15/2030	8,720,000
Series 2013 Unlimited Tax Refunding Bonds	2.00-3.25%	2/15/2033	6,130,000
			<u>\$ 17,785,000</u>

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

4. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2013, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 917,221	\$ 600,734	\$ 1,517,955
2015	747,397	715,555	1,462,952
2016	905,359	559,868	1,465,227
2017	923,411	538,365	1,461,776
2018	951,592	516,320	1,467,912
2019-2023	4,585,000	2,213,089	6,798,089
2024-2028	5,425,000	1,441,373	6,866,373
2029-2033	5,990,000	482,481	6,472,481
Totals	<u>\$ 20,444,980</u>	<u>\$ 7,067,785</u>	<u>\$ 27,512,765</u>

5. Advance Refunding of Debt

During the year ended August 31, 2013, the District issued \$6,240,000 of tax refunding bonds to provide resources to purchase U.S. Government State and Local Governmental Series securities that were placed in an escrow account for the purpose of generating resources for all future debt service payments of \$6,255,000 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 position. The reacquisition price exceeded the net carrying amount of the old debt by \$385,250. 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 \$1,216,828 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, 2013, 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	\$ 7,990,000
Series 2004 Unlimited Tax School Building Bonds	7,070,000
Total	<u>\$ 15,060,000</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 2013, 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

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2013, 2012 and 2011, and a state contribution rate of 6.4% for fiscal year 2013, 6.0 % for fiscal year 2012, and 6.644% for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2013, 2012 and 2011 were \$706,082, \$702,626 and \$853,039, respectively. The District paid additional state contributions for the years ending August 31, 2013, 2012 and 2011 in the amount of \$116,161, \$96,560 and \$123,868, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 0.5% for fiscal year 2013 and 1.0% for fiscal years 2012 and 2011. The active public school employee and school district contribution rates were .65% and .55%, respectively, for fiscal years 2013, 2012, and 2011. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$65,154, \$125,246, and \$135,354, respectively, the active member contributions were \$84,700, \$81,410, and \$87,980, respectively, and the District's contributions were \$71,670, \$68,885, and \$74,445, respectively, which equaled the required contributions each year.

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$34,437, \$27,687, and \$36,329, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2013, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$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 third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2013, 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, 2013.

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:

<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

GILMER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

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		88,733

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 \$11,020 for current year claims and \$26,269 for claims incurred in prior years. When and if other school districts 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, 2013	\$ 119,150	\$ (4,161)	\$ 37,289	\$ 77,700
Year Ended August 31, 2012	115,775	38,118	34,743	119,150

O. Subsequent Events

Management has evaluated subsequent events through December 10, 2013, the date on which the financial statements were available to be issued.

P. Prior Period Adjustment

Beginning net position has been reduced by \$240,257 to reflect a change in accounting policy. The District implemented the provisions of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities" during the year ended August 31, 2013. As a result, debt issuance costs previously capitalized and amortized have been removed from the statement of net position.

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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, 2013

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	\$ 8,999,006	\$ 9,163,257	\$ 9,164,299	\$ 1,042
5800	State Program Revenues	8,323,448	8,678,448	8,336,089	(342,359)
5900	Federal Program Revenues	52,569	148,569	150,563	1,994
5020	Total Revenues	17,375,023	17,990,274	17,650,951	(339,323)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	9,450,545	9,849,183	9,492,793	356,390
0012	Instructional Resources and Media Services	485,639	538,639	513,868	24,771
0013	Curriculum and Staff Development	145,769	168,093	153,727	14,366
	Total Instruction & Instr. Related Services	10,081,953	10,555,915	10,160,388	395,527
Instructional and School Leadership:					
0021	Instructional Leadership	125,036	131,036	120,709	10,327
0023	School Leadership	1,100,605	1,141,605	1,100,923	40,682
	Total Instructional & School Leadership	1,225,641	1,272,641	1,221,632	51,009
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	446,030	476,030	443,048	32,982
0033	Health Services	246,783	259,233	246,827	12,406
0034	Student (Pupil) Transportation	944,610	1,205,388	821,906	383,482
0036	Cocurricular/Extracurricular Activities	1,310,770	1,546,609	1,439,070	107,539
	Total Support Services - Student (Pupil)	2,948,193	3,487,260	2,950,851	536,409
Administrative Support Services:					
0041	General Administration	522,783	556,783	532,948	23,835
	Total Administrative Support Services	522,783	556,783	532,948	23,835
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,882,911	2,329,133	2,195,689	133,444
0052	Security and Monitoring Services	143,093	163,093	155,028	8,065
0053	Data Processing Services	115,293	164,293	130,298	33,995
	Total Support Services - Nonstudent Based	2,141,297	2,656,519	2,481,015	175,504
Ancillary Services:					
0061	Community Services	28,610	34,610	24,131	10,479
	Total Ancillary Services	28,610	34,610	24,131	10,479
Debt Service:					
0071	Principal on Long-Term Debt	170,000	310,000	302,445	7,555
0073	Bond Issuance Costs and Fees	32,616	32,616	33,542	(926)
	Total Debt Service	202,616	342,616	335,987	6,629
Capital Outlay:					
0081	Capital Outlay	28,000	453,000	94,054	358,946
	Total Capital Outlay	28,000	453,000	94,054	358,946
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	469,000	469,000	468,622	378
0099	Other Intergovernmental Charges	220,100	200,100	198,316	1,784
	Total Intergovernmental Charges	689,100	669,100	666,938	2,162

GILMER INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2013

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>17,868,193</u>	<u>20,028,444</u>	<u>18,467,944</u>	<u>1,560,500</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(493,170)</u>	<u>(2,038,170)</u>	<u>(816,993)</u>	<u>1,221,177</u>
	Other Financing Sources (Uses):				
7914	Issuance of Non-Current Debt	--	658,000	500,000	(158,000)
7915	Transfers In	--	--	2,231	2,231
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>658,000</u>	<u>502,231</u>	<u>(155,769)</u>
1200	Net Change in Fund Balance	<u>(493,170)</u>	<u>(1,380,170)</u>	<u>(314,762)</u>	<u>1,065,408</u>
0100	Fund Balance - Beginning	<u>5,622,657</u>	<u>5,622,657</u>	<u>5,622,657</u>	--
3000	Fund Balance - Ending	<u>\$ 5,129,487</u>	<u>\$ 4,242,487</u>	<u>\$ 5,307,895</u>	<u>\$ 1,065,408</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 which are presented for purposes of additional analysis.

GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2013

Data Control Codes		Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:					
1110	Cash and Cash Equivalents	\$ 592,198	\$ 16,805	\$ 90,129	\$ 699,132
1120	Current Investments	--	305,093	--	305,093
1225	Taxes Receivable, Net	--	132,840	--	132,840
1240	Due from Other Governments	51,926	--	--	51,926
1300	Inventories	38,313	--	--	38,313
1000	Total Assets	<u>682,437</u>	<u>454,738</u>	<u>90,129</u>	<u>1,227,304</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 66,479	\$ --	\$ 90,129	\$ 156,608
2160	Accrued Wages Payable	38,287	--	--	38,287
2170	Due to Other Funds	5,667	--	--	5,667
2300	Unearned Revenue	23,106	--	--	23,106
2000	Total Liabilities	<u>133,539</u>	<u>--</u>	<u>90,129</u>	<u>223,668</u>
DEFERRED INFLOWS OF RESOURCES:					
	Deferred Revenue	--	132,840	--	132,840
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>132,840</u>	<u>--</u>	<u>132,840</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	19,540	--	--	19,540
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	440,625	--	--	440,625
3480	Retirement of Long-Term Debt	--	321,898	--	321,898
Committed Fund Balances:					
3545	Other Committed Fund Balance	88,733	--	--	88,733
3000	Total Fund Balances	<u>548,898</u>	<u>321,898</u>	<u>--</u>	<u>870,796</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 682,437</u>	<u>\$ 454,738</u>	<u>\$ 90,129</u>	<u>\$ 1,227,304</u>

GILMER INDEPENDENT SCHOOL DISTRICT

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

Data Control Codes		Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:					
5700	Local and Intermediate Sources	\$ 433,745	\$ 1,202,635	\$ --	\$ 1,636,380
5800	State Program Revenues	216,878	--	--	216,878
5900	Federal Program Revenues	1,983,014	--	--	1,983,014
5020	Total Revenues	<u>2,633,637</u>	<u>1,202,635</u>	<u>--</u>	<u>3,836,272</u>
EXPENDITURES:					
Current:					
0011	Instruction	988,479	--	--	988,479
0013	Curriculum and Staff Development	234,119	--	--	234,119
0023	School Leadership	1,120	--	--	1,120
0031	Guidance, Counseling, & Evaluation Services	110,443	--	--	110,443
0035	Food Service	1,292,480	--	--	1,292,480
0051	Facilities Maintenance and Operations	14,970	--	--	14,970
0061	Community Services	6,575	--	--	6,575
0071	Principal on Long-term Debt	--	745,000	--	745,000
0072	Interest on Long-term Debt	--	506,610	--	506,610
0073	Bond Issuance Costs and Fees	--	126,939	41,199	168,138
0081	Capital Outlay	--	--	2,123,665	2,123,665
6030	Total Expenditures	<u>2,648,186</u>	<u>1,378,549</u>	<u>2,164,864</u>	<u>6,191,599</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(14,549)</u>	<u>(175,914)</u>	<u>(2,164,864)</u>	<u>(2,355,327)</u>
Other Financing Sources and (Uses):					
7911	Capital-Related Debt Issued (Regular Bonds)	--	6,240,000	--	6,240,000
7914	Issuance of Non-Current Debt	--	--	2,110,000	2,110,000
7916	Premium or Discount on Issuance of Bonds	--	531,053	54,342	585,395
7917	Prepaid Interest	--	13,117	522	13,639
8911	Transfers Out	(2,231)	--	--	(2,231)
8949	Other Uses	--	(6,640,250)	--	(6,640,250)
7080	Total Other Financing Sources and (Uses)	<u>(2,231)</u>	<u>143,920</u>	<u>2,164,864</u>	<u>2,306,553</u>
1200	Net Change in Fund Balances	<u>(16,780)</u>	<u>(31,994)</u>	<u>--</u>	<u>(48,774)</u>
0100	Fund Balances - Beginning	565,678	353,892	--	919,570
3000	Fund Balances - Ending	<u>\$ 548,898</u>	<u>\$ 321,898</u>	<u>\$ --</u>	<u>\$ 870,796</u>

GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2013

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ 1,875	\$ 282	\$ 489,958
1240	Due from Other Governments	13,570	12,208	1,271	22,838
1300	Inventories	--	--	--	38,313
1000	Total Assets	<u>13,570</u>	<u>14,083</u>	<u>1,553</u>	<u>551,109</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ 65,564
2160	Accrued Wages Payable	9,643	12,208	1,271	15,165
2170	Due to Other Funds	3,927	--	--	--
2300	Unearned Revenue	--	1,875	282	18,772
2000	Total Liabilities	<u>13,570</u>	<u>14,083</u>	<u>1,553</u>	<u>99,501</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	19,540
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	432,068
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>451,608</u>
4000	Total Liabilities and Fund Balances	<u>\$ 13,570</u>	<u>\$ 14,083</u>	<u>\$ 1,553</u>	<u>\$ 551,109</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	289 Summer School LEP
\$ 8,557	\$ --	\$ --	\$ --	\$ --
--	--	1,559	480	--
--	--	--	--	--
<u>8,557</u>	<u>--</u>	<u>1,559</u>	<u>480</u>	<u>--</u>
\$ --	\$ --	\$ 299	\$ --	\$ --
--	--	--	--	--
--	--	1,260	480	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>1,559</u>	<u>480</u>	<u>--</u>
--	--	--	--	--
8,557	--	--	--	--
--	--	--	--	--
<u>8,557</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ <u>8,557</u>	\$ <u>--</u>	\$ <u>1,559</u>	\$ <u>480</u>	\$ <u>--</u>

GILMER INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2013

Data Control Codes		397 Advanced Placement Incentives	404 Student Success Initiative
	ASSETS:		
1110	Cash and Cash Equivalents	\$ 212	\$ --
1240	Due from Other Governments	--	--
1300	Inventories	--	--
1000	Total Assets	<u>212</u>	<u>--</u>
	LIABILITIES:		
	Current Liabilities:		
2110	Accounts Payable	\$ --	\$ --
2160	Accrued Wages Payable	--	--
2170	Due to Other Funds	--	--
2300	Unearned Revenue	212	--
2000	Total Liabilities	<u>212</u>	<u>--</u>
	FUND BALANCES:		
	Nonspendable Fund Balances:		
3410	Inventories	--	--
	Restricted Fund Balances:		
3450	Federal/State Funds Grant Restrictions	--	--
	Committed Fund Balances:		
3545	Other Committed Fund Balance	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 212</u>	<u>\$ --</u>

410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 2,581	\$ 88,733	\$ 592,198
--	--	51,926
--	--	38,313
<u>2,581</u>	<u>88,733</u>	<u>682,437</u>
\$ 616	\$ --	\$ 66,479
--	--	38,287
--	--	5,667
1,965	--	23,106
<u>2,581</u>	<u>--</u>	<u>133,539</u>
--	--	19,540
--	--	440,625
--	88,733	88,733
<u>--</u>	<u>88,733</u>	<u>548,898</u>
\$ <u>2,581</u>	\$ <u>88,733</u>	\$ <u>682,437</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, 2013

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 301,596
5800 State Program Revenues	--	--	--	9,349
5900 Federal Program Revenues	577,127	231,308	23,016	935,367
5020 Total Revenues	<u>577,127</u>	<u>231,308</u>	<u>23,016</u>	<u>1,246,312</u>
EXPENDITURES:				
Current:				
0011 Instruction	372,421	231,308	23,016	--
0013 Curriculum and Staff Development	88,324	--	--	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, & Evaluation Services	110,443	--	--	--
0035 Food Service	--	--	--	1,263,811
0051 Facilities Maintenance and Operations	--	--	--	14,970
0061 Community Services	5,939	--	--	--
6030 Total Expenditures	<u>577,127</u>	<u>231,308</u>	<u>23,016</u>	<u>1,278,781</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	--	(32,469)
Other Financing Sources and (Uses):				
8911 Transfers Out	--	--	--	--
7080 Total Other Financing Sources and (Uses)	--	--	--	--
1200 Net Change in Fund Balances	--	--	--	(32,469)
0100 Fund Balances - Beginning	--	--	--	484,077
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 451,608</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	289 Summer School LEP
\$ 485	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
36,741	25,056	139,360	12,808	2,231
37,226	25,056	139,360	12,808	2,231
--	22,624	--	8,581	--
--	2,432	138,240	3,591	--
--	--	1,120	--	--
--	--	--	--	--
28,669	--	--	--	--
--	--	--	--	--
--	--	--	636	--
28,669	25,056	139,360	12,808	--
8,557	--	--	--	2,231
--	--	--	--	(2,231)
--	--	--	--	(2,231)
8,557	--	--	--	--
--	--	--	--	--
\$ 8,557	\$ --	\$ --	\$ --	\$ --

GILMER INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		397 Advanced Placement Incentives	404 Student Success Initiative
	REVENUES:		
5700	Local and Intermediate Sources	\$ --	\$ --
5800	State Program Revenues	2,538	10,563
5900	Federal Program Revenues	--	--
5020	Total Revenues	<u>2,538</u>	<u>10,563</u>
	EXPENDITURES:		
	Current:		
0011	Instruction	1,006	10,563
0013	Curriculum and Staff Development	1,532	--
0023	School Leadership	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--
0035	Food Service	--	--
0051	Facilities Maintenance and Operations	--	--
0061	Community Services	--	--
6030	Total Expenditures	<u>2,538</u>	<u>10,563</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>--</u>	<u>--</u>
	Other Financing Sources and (Uses):		
8911	Transfers Out	<u>--</u>	<u>--</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>
1200	Net Change in Fund Balances	<u>--</u>	<u>--</u>
0100	Fund Balances - Beginning	<u>--</u>	<u>--</u>
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>

410 State Textbook Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ 131,664	\$ 433,745
194,428	--	216,878
--	--	1,983,014
<u>194,428</u>	<u>131,664</u>	<u>2,633,637</u>
194,428	124,532	988,479
--	--	234,119
--	--	1,120
--	--	110,443
--	--	1,292,480
--	--	14,970
--	--	6,575
<u>194,428</u>	<u>124,532</u>	<u>2,648,186</u>
--	7,132	(14,549)
--	--	(2,231)
--	--	(2,231)
--	7,132	(16,780)
--	81,601	565,678
<u>\$ --</u>	<u>\$ 88,733</u>	<u>\$ 548,898</u>

GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

NONMAJOR ENTERPRISE FUNDS

AUGUST 31, 2013

Data Control Codes	Enterprise Fund Stadium Enterprise Fund	Enterprise Fund District Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit D-1)
ASSETS:			
Current Assets:			
1110 Cash and Cash Equivalents	\$ 1,338	\$ 79	\$ 1,417
1310 Inventories, at Cost	7,521	--	7,521
Total Current Assets	8,859	79	8,938
1000 Total Assets	8,859	79	8,938
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ 8,619	\$ --	\$ 8,619
Total Current Liabilities	8,619	--	8,619
2000 Total Liabilities	8,619	--	8,619
NET POSITION:			
3900 Unrestricted	240	79	319
3000 Total Net Position	\$ 240	\$ 79	\$ 319

GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		Enterprise Fund Stadium Enterprise Fund	Enterprise Fund District Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit D-2)
	OPERATING REVENUES:			
5700	Local and Intermediate Sources	\$ 240	\$ --	\$ 240
5020	Total Revenues	<u>240</u>	<u>--</u>	<u>240</u>
	OPERATING EXPENSES:			
6400	Other Operating Costs	--	580	580
6030	Total Expenses	<u>--</u>	<u>580</u>	<u>580</u>
1300	Change in Net Position	240	(580)	(340)
0100	Total Net Position - Beginning	--	659	659
3300	Total Net Position - Ending	<u>\$ 240</u>	<u>\$ 79</u>	<u>\$ 319</u>

GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2013

	748 Stadium Enterprise Fund	749 District Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit D-3)
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 1,338	\$ --	\$ 1,338
Cash Payments to Suppliers for Goods and Services	--	(580)	(580)
Net Cash Provided (Used) by Operating Activities	<u>1,338</u>	<u>(580)</u>	<u>758</u>
Cash Flows from Non-capital Financing Activities:			
Transfers From (To) Other Funds	--	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>
Cash Flows from Capital and Related Financing Activities:			
Contributed Capital	--	--	--
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	--	--	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,338	(580)	758
Cash and Cash Equivalents at Beginning of Year	--	659	659
Cash and Cash Equivalents at End of Year	<u>\$ 1,338</u>	<u>\$ 79</u>	<u>\$ 1,417</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 240	\$ (580)	\$ (340)
Change in Assets and Liabilities:			
Decrease (Increase) in Inventories	(7,521)	--	(7,521)
Increase (Decrease) in Accounts Payable	8,619	--	8,619
Total Adjustments	<u>1,098</u>	<u>--</u>	<u>1,098</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,338</u>	<u>\$ (580)</u>	<u>\$ 758</u>

GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

PRIVATE-PURPOSE TRUST FUNDS

AUGUST 31, 2013

Data Control Codes	809 Expendable Scholarship Fund	836 Nonexpendable Scholarship Fund	Total Private- Purpose Trust Funds (See Exhibit E-1)
ASSETS:			
1110 Cash and Cash Equivalents	\$ 16,037	\$ 7,770	\$ 23,807
1120 Current Investments	--	75,871	75,871
1250 Accrued Interest	--	16	16
1800 Restricted Assets	--	343,276	343,276
1000 Total Assets	<u>16,037</u>	<u>426,933</u>	<u>442,970</u>
LIABILITIES:			
2000 Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
NET POSITION:			
3800 Held in Trust	16,037	426,933	442,970
3000 Total Net Position	<u>\$ 16,037</u>	<u>\$ 426,933</u>	<u>\$ 442,970</u>

GILMER INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

ALL PRIVATE-PURPOSE TRUST FUNDS

FOR THE YEAR ENDED AUGUST 31, 2013

	809 Expendable Scholarship Fund	836 Nonexpendable Scholarship Fund	Total Private-Purpose Trust Funds (See Exhibit E-2)
Additions:			
Gifts and Bequests	\$ 10,950	\$ 500	\$ 11,450
Net (Decrease) in Fair Value of Investments	--	61,821	61,821
Total Additions	<u>10,950</u>	<u>62,321</u>	<u>73,271</u>
Deductions:			
Scholarship Awards	11,750	11,600	23,350
Total Deductions	<u>11,750</u>	<u>11,600</u>	<u>23,350</u>
Change in Net Assets	(800)	50,721	49,921
Net Assets-Beginning of the Year	16,837	376,212	393,049
Net Assets-End of the Year	<u>\$ 16,037</u>	<u>\$ 426,933</u>	<u>\$ 442,970</u>

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, 2013**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2004 and Prior Years	\$	Various	\$	Various	\$	Various
2005		1.385		.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		1.04		.155		837,522,343
2013 (School Year Under Audit)		1.04		.145		818,171,814

1000 Totals

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

10 Beginning Balance 9/1/12	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/13
\$ 412,779	\$ --	\$ 5,992	\$ 183	\$ (50,288)	\$ 356,316
62,177	--	2,166	333	(2,258)	57,420
80,391	--	3,490	399	(1,775)	74,727
152,041	--	7,838	981	(3,109)	140,113
161,445	--	11,722	1,781	(3,804)	144,138
159,139	--	19,870	3,019	(3,585)	132,665
180,470	--	27,820	4,146	(3,077)	145,427
241,426	--	54,082	8,061	(2,377)	176,906
399,428	--	131,955	19,667	(8,238)	239,568
--	9,695,336	8,157,480	1,137,344	4,333	404,845
<u>\$ 1,849,296</u>	<u>\$ 9,695,336</u>	<u>\$ 8,422,415</u>	<u>\$ 1,175,914</u>	<u>\$ (74,178)</u>	<u>\$ 1,872,125</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

GILMER INDEPENDENT SCHOOL DISTRICT**EXHIBIT J-2**
**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013**
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	\$ --	\$ --	\$ 228,373	\$ 171,957	\$ --	\$ 22,941	\$ 423,271
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	--	--	--	--	9,826	--	9,826
6212	Audit Services	--	--	--	20,200	--	--	20,200
6213	Tax Appraisal and Collection	--	198,996	--	--	--	--	198,996
621X	Other Prof. Services	--	--	--	--	2,300	--	2,300
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	--	--	7,663	7,663
6240	Contr. Maint. and Repair	--	--	--	--	535	--	535
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	--	10,825	--	10,825
6290	Miscellaneous Contr.	3,701	--	--	1,117	--	--	4,818
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	545	--	4,190	4,226	4,394	--	13,355
6410	Travel, Subsistence, Stipends	3,279	--	2,198	5,814	--	--	11,291
6420	Ins. and Bonding Costs	--	--	1,449	--	--	--	1,449
6430	Election Costs	1,520	--	--	--	--	--	1,520
6490	Miscellaneous Operating	1,435	--	4,488	2,271	17,021	--	25,215
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total	\$ 10,480	\$ 198,996	\$ 240,698	\$ 205,585	\$ 44,901	\$ 30,604	\$ 731,264
-------	-----------	------------	------------	------------	-----------	-----------	------------

Total Expenditures for General and Special Revenue Funds	(9)	\$ 21,116,130
----------------------------------------------------------	-----	---------------

LESS: Deductions of Unallowable Costs**FISCAL YEAR**

Total Capital Outlay (6600)	(10)	\$ 405,619
Total Debt & Lease (6500)	(11)	\$ 335,987
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 2,034,404
Food (Function 35, 6341 and 6499)	(13)	\$ 561,259
Stipends (6413)	(14)	\$ 3,755
Column 4 (above) - Total Indirect Cost		\$ 205,585

Subtotal

3,546,609

Net Allowed Direct Cost

\$ 17,569,521

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 38,162,986
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)	3,702,541
Historical Cost of Furniture & Equipment over 16 years old	(19)	1,326,067
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 542,278

(8) Note A - No Function 53 expenditures and \$198,316 in Function 99 expenditures are included in this report on administrative costs.

GILMER INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT J-3

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 306,697	\$ 306,697	\$ 301,596	\$ (5,101)
5800	State Program Revenues	7,500	14,500	9,349	(5,151)
5900	Federal Program Revenues	832,000	947,000	935,367	(11,633)
5020	Total Revenues	<u>1,146,197</u>	<u>1,268,197</u>	<u>1,246,312</u>	<u>(21,885)</u>
	EXPENDITURES:				
	Current:				
	Support Services - Student (Pupil):				
0035	Food Services	<u>1,131,227</u>	<u>1,389,227</u>	<u>1,263,811</u>	<u>125,416</u>
	Total Support Services - Student (Pupil)	<u>1,131,227</u>	<u>1,389,227</u>	<u>1,263,811</u>	<u>125,416</u>
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	<u>14,970</u>	<u>14,970</u>	<u>14,970</u>	<u>--</u>
	Total Support Services - Nonstudent Based	<u>14,970</u>	<u>14,970</u>	<u>14,970</u>	<u>--</u>
6030	Total Expenditures	<u>1,146,197</u>	<u>1,404,197</u>	<u>1,278,781</u>	<u>125,416</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>(136,000)</u>	<u>(32,469)</u>	<u>103,531</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>(136,000)</u>	<u>(32,469)</u>	<u>103,531</u>
0100	Fund Balance - Beginning	<u>484,077</u>	<u>484,077</u>	<u>484,077</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 484,077</u>	<u>\$ 348,077</u>	<u>\$ 451,608</u>	<u>\$ 103,531</u>

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

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 1,219,723	\$ 1,219,723	\$ 1,202,635	\$ (17,088)
5020	Total Revenues	<u>1,219,723</u>	<u>1,219,723</u>	<u>1,202,635</u>	<u>(17,088)</u>
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Debt	745,000	745,000	745,000	--
0072	Interest on Long-Term Debt	536,723	549,841	506,610	43,231
0073	Bond Issuance Costs and Fees	5,000	88,000	126,939	(38,939)
	Total Debt Service	<u>1,286,723</u>	<u>1,382,841</u>	<u>1,378,549</u>	<u>4,292</u>
6030	Total Expenditures	<u>1,286,723</u>	<u>1,382,841</u>	<u>1,378,549</u>	<u>4,292</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(67,000)</u>	<u>(163,118)</u>	<u>(175,914)</u>	<u>(12,796)</u>
	Other Financing Sources (Uses):				
7911	Debt Issued (Refunding Bonds)	--	6,240,000	6,240,000	--
7916	Premium or Discount on Issuance of Bonds	--	587,599	531,053	(56,546)
7917	Prepaid Interest	--	--	13,117	13,117
8949	Payment to Bond Escrow Agent	--	(6,731,481)	(6,640,250)	91,231
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>96,118</u>	<u>143,920</u>	<u>47,802</u>
1200	Net Change in Fund Balance	<u>(67,000)</u>	<u>(67,000)</u>	<u>(31,994)</u>	<u>35,006</u>
0100	Fund Balance - Beginning	353,892	353,892	353,892	--
3000	Fund Balance - Ending	\$ <u>286,892</u>	\$ <u>286,892</u>	\$ <u>321,898</u>	\$ <u>35,006</u>

KAREN A. JACKS & ASSOCIATES, P.C.

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

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gilmer Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Gilmer Independent School District's basic financial statements, and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gilmer Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.
Longview, Texas
December 10, 2013

KAREN A. JACKS & ASSOCIATES, P.C.

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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 Gilmer Independent School District's major federal program for the year ended August 31, 2013. Gilmer Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gilmer Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Gilmer Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Gilmer Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of Gilmer Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gilmer Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.
Longview, Texas
December 10, 2013

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

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

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: Unmodified

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>
10.553/10.555/10.559	Child Nutrition Cluster

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, 2013

<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, 2013

None required.

GILMER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010	14610101230902	\$ 9,642
ESEA Title I Part A - Improving Basic Programs *	84.010	13610101230902	552,535
ESEA Title I School Improvement	84.010	13610104230902103	14,950
Total CFDA No. 84.010			<u>577,127</u>
IDEA-B Formula *	84.027	136610012309016600	219,099
IDEA-B Formula *	84.027	146610012309016600	12,208
Total CFDA No. 84.027			<u>231,307</u>
Career and Technical - Basic Grant	84.048	13420006230902	25,056
IDEA-B Preschool *	84.173	136610012309016610	21,745
IDEA-B Preschool *	84.173	146610012309016610	1,271
Total CFDA No. 84.173			<u>23,016</u>
Title III Part A English Language Acquisition and Enhancement	84.365	13671001230902	12,808
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367	13694501230902	139,360
Summer School LEP	84.369A	69551002	2,231
Total Passed Through State Department of Education			<u>1,010,905</u>
Total U. S. Department of Education			<u>1,010,905</u>
U. S. DEPARTMENT OF DEFENSE			
Direct Program:			
ROTC	12.000	230-902	53,639
Total U. S. Department of Defense			<u>53,639</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	230-902	243,997
National School Lunch Program *	10.555	230-902	615,906
Total Passed Through State Department of Education			<u>859,903</u>
Passed Through State Department of Agriculture:			
Food Distribution (Non-cash) *	10.555	230-902	75,461
Summer Feeding Program *	10.559	230-902	36,556
Summer Food Service Program (Non-cash) *	10.559	230-902	186
Total Passed Through State Department of Agriculture			<u>112,203</u>
Total U. S. Department of Agriculture			<u>972,106</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,036,650</u></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, 2013

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 the fair market value of the commodities received and disbursed. At August 31, 2013, the District had food commodities totaling \$18,772 in inventory.

Note C - Reconciliation of Schedule of Expenditures of Federal Awards to Total Federal Revenue

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

Total Federal Expenditures, Exhibit K-1	\$ 2,036,650
Other Federal Revenue Sources:	
School Health and Related Services (SHARS)	<u>96,927</u>
Total Federal Revenues, Exhibit C-2	<u>\$ 2,133,577</u>

GILMER INDEPENDENT SCHOOL DISTRICTSCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2013

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified 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?	\$ 69,584