

GONZALES INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2013

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

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Annual Financial Report
For The Year Ended August 31, 2013

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Introductory Section

CERTIFICATE OF BOARD

Gonzales Independent School District
Name of School District

Gonzales
County

089-901
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 13th day of January, 2014.


Signature of Board Secretary


Signature of Board President

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

Financial Section

FLOYD AND GINDLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
421 ST. JAMES -- P.O. BOX 638
Gonzales, TX 78629
(830)-672-2824

Independent Auditor's Report

To the Board of Trustees
Gonzales Independent School District
926 St. Lawrence
Gonzales, Texas 78629

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, each major fund, and the aggregate remaining fund information of Gonzales 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, Gonzales 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*. Our opinion is not modified with respect to this matter.

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 Gonzales Independent School District's basic financial statements. The introductory section and individual 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.

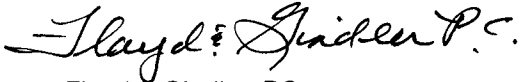
The individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 individual nonmajor 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 January 1, 2014 on our consideration of Gonzales 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 Gonzales Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Floyd & Gindler P.C.".

Floyd & Gindler, PC

Gonzales, Texas
January 13, 2014

GONZALES INDEPENDENT SCHOOL DISTRICT GONZALES, TEXAS

926 St. Lawrence
Gonzales, Texas 78629
Telephone: (830) 672-9551
Fax: (830) 672-7159

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Gonzales 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

- The District's total combined net position was \$26,166,313 at August 31, 2013.
- During the year, the District's expenses were \$2,558,961 less than the \$27,921,394 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$9,232,340.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide* financial statements that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as self-funded medical insurance.
- *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. These statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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, deferred outflows of resources, liabilities, and deferred inflows of resources—are one way to measure the District's financial health or *position*.

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

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

fiduciary net assets. We exclude these activities from the District's government wide financial statements because the District cannot use these assets to finance its operation.

- *Internal service fund*—The District uses an internal service fund to report the activity of its Print Shop Fund that provides services for the District's other programs and activities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$26,166,313 at August 31, 2013

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

| | Governmental Activities | | Total Percentage Change |
|--|----------------------------|------------------|-------------------------------|
| | 2013 | 2012 | 2013-2012 |
| Assets | | | |
| Current assets: | | | |
| Cash, equivalents and investments | \$ 10,304 | \$ 9,557 | 7.82 |
| Receivables, net of allow. | 624 | 574 | 8.71 |
| Due from other governments | 1,115 | 1,350 | (17.41) |
| Other receivables, net | - | 1 | (100.00) |
| Inventories | 72 | 51 | 41.18 |
| Total current assets | <u>12,115</u> | <u>11,533</u> | <u>5.05</u> |
| Noncurrent assets: | | | |
| Bond issue cost (net) | 156 | 179 | (12.85) |
| Building, furniture & equipment net of accumulated depreciation | 21,694 | 18,720 | 15.89 |
| Land and construction in progress | 650 | 2,477 | (73.76) |
| Total noncurrent assets | <u>22,500</u> | <u>21,376</u> | <u>5.26</u> |
| Total assets | <u>34,615</u> | <u>32,909</u> | <u>5.18</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 1,556 | 1,605 | (3.05) |
| Due to other governments | 176 | 180 | (2.22) |
| Due to student groups | 1 | - | n/a |
| Deferred revenues | 26 | 39 | (33.33) |
| Current portion debt | 811 | 788 | 2.92 |
| Total current liabilities | <u>2,570</u> | <u>2,612</u> | <u>(1.61)</u> |
| Long-term liabilities: | | | |
| General obligation bonds | 5,879 | 6,690 | (12.12) |
| Total noncurrent liabilities | <u>5,879</u> | <u>6,690</u> | <u>(12.12)</u> |
| Total liabilities | <u>8,449</u> | <u>9,302</u> | <u>(9.17)</u> |
| Net position | | | |
| Investment in capital assets | 15,810 | 13,898 | 13.76 |
| Restricted | 374 | 487 | (23.20) |
| Unrestricted | 9,982 | 9,222 | 8.24 |
| Total net position | <u>\$ 26,166</u> | <u>\$ 23,607</u> | <u>10.84</u> |

The District's restricted net position represent proceeds from local taxes that are restricted for debt service and capital construction. Unrestricted net position represents resources available to fund programs of the District next year.

Changes in net position. The District's total revenues were \$27,921,394. The major components of the District's revenues are as follows: 42.2% from local property taxes, 56.1% from Texas Education Agency and Federal Government grants, 0.1% from investment income, and 1.6% from other sources. The total cost of all programs and services was \$25,362,433 as follows: 58.8% for instruction and instruction related services, 17.6% for support services-students, 10.8% for support services-nonstudent based, 6.7% for instructional and school leadership, and 6.1% for all other.

Governmental Activities

Total property tax rates for maintenance and operating (M&O) and debt service (I&S) decreased from \$1.1055 in 2012 to \$0.9724 in 2013. Property values increased 85.6% from the prior year. These two factors combined to cause property tax revenues, both M&O and I&S, to increase \$4,552,778 or 62.9%.

The Oil and Gas values within the Gonzales taxing entity have started to dominate the District's financial situation. This increase may continue dramatically while we experience the oil and gas drilling growth. As indicated above, the property values have consequently grown dramatically as compared to the less than 10% historical increases. This will cause the District to become a Chapter 41 District, or property rich, resulting in the District having to send funds to the State in the near future.

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

| | Governmental Activities | | Total |
|--|----------------------------|------------------|-----------------------------------|
| | 2013 | 2012 | Percentage Change 2013-2012 |
| Revenues | | | |
| Program revenues: | | | |
| Charges for services | \$ 337 | \$ 228 | 47.81 |
| Operating grants | 3,937 | 4,558 | (13.62) |
| General revenues: | | | |
| Property taxes | 11,783 | 7,231 | 62.95 |
| State aid-formula | 11,732 | 13,144 | (10.74) |
| Investment income | 25 | 33 | (24.24) |
| Other income | 107 | 180 | (40.56) |
| Total revenues | <u>27,921</u> | <u>25,374</u> | <u>10.04</u> |
| Expenses | | | |
| Instruction | 14,080 | 13,686 | 2.88 |
| Instructional resources and media services | 401 | 367 | 9.26 |
| Curriculum dev. & instructional staff dev. | 437 | 529 | (17.39) |
| Instructional leadership | 239 | 212 | 12.74 |
| School leadership | 1,451 | 1,361 | 6.61 |
| Guidance, counseling and evaluation services | 853 | 776 | 9.92 |
| Social work services | 26 | 26 | - |
| Health services | 262 | 260 | 0.77 |
| Student transportation | 1,089 | 920 | 18.37 |
| Food services | 1,312 | 1,205 | 8.88 |
| Cocurricular/extracurricular activities | 916 | 809 | 13.23 |
| General administration | 966 | 857 | 12.72 |
| Plant maintenance & oper. | 2,475 | 2,289 | 8.13 |
| Security & monitoring | 47 | 45 | 4.44 |
| Data processing services | 226 | 190 | 18.95 |
| Community services | 72 | 67 | 7.46 |
| Interest on long term debt | 137 | 155 | (11.61) |
| Bond issuance cost | 23 | 24 | (4.17) |
| Capital outlay | 38 | 10 | 280.00 |
| Other intergovernmental charges | 312 | 295 | 5.76 |
| Total expenses | <u>25,362</u> | <u>24,083</u> | <u>5.31</u> |
| Increase in net position | 2,559 | 1,291 | 98.22 |
| Beginning net position | 23,607 | 22,316 | 5.79 |
| Ending net position | <u>\$ 26,166</u> | <u>\$ 23,607</u> | <u>10.84</u> |

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

- The cost of all governmental activities this year was \$25,362,000.
- The amount that taxpayers paid for these activities through property taxes was \$11,783,000.

BOARD OF TRUSTEES; Glenn Menking, President; Gloria Torres, Vice President; Josie Smith-Wright, Secretary; Sue Gottwald; Justin Schwauisch; Ross Hendershot, III; and Tom Lester Jr.

NONDISCRIMINATORY FOR HANDICAPPED, SEX, RACE, COLOR, NATIONAL ORIGIN, POLITICAL BELIEF OR RELIGION

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

| | Total Cost of Services | | Total Percentage Change | Net Cost of Services | | Total Percentage Change |
|---------------------------|------------------------|-----------|-------------------------|----------------------|-----------|-------------------------|
| | 2013 | 2012 | 2013-2012 | 2013 | 2012 | 2013-2012 |
| Instruction | \$ 14,080 | \$ 13,685 | 2.89 | \$ 12,149 | \$ 11,694 | 3.89 |
| School leadership | 1,451 | 1,361 | 6.61 | 1,399 | 1,350 | 3.63 |
| Student transportation | 1,089 | 920 | 18.37 | 1,042 | 797 | 30.74 |
| Food service | 1,312 | 1,205 | 8.88 | 39 | 20 | (95.00) |
| General administration | 966 | 857 | 12.72 | 931 | 857 | 8.63 |
| Plant maintenance & oper. | 2,475 | 2,289 | 8.13 | 2,385 | 2,288 | 4.24 |

The District receives funding under the State Facilities Grant that provides assistance in paying off debt.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from government fund types totaled \$27,864,188; a 9.74% increase from the preceding year. This is directly resulting from the increased property values from the previous year. This significant increase is from the oil and gas industry within the Gonzales taxing entity. While investment interest rates have improved, they remain low enough as to not contribute a significant amount to the overall revenue picture; the Districts Average Daily Attendance (ADA) and student enrollment has increased for the third straight year. The result of increased property tax revenue from oil and gas activities is less State revenue. The State's funding formula drives the State's share of District revenue down as local revenues increase. The District received 62.95% more in local revenues than the previous year; as mentioned earlier this was attributed to the increase in property values relating to oil and gas.

Expenses from all governmental fund types totaled \$27,261,350; a 1.78% increase in spending from the preceding year from an increase in staffing due to increased enrollment, and the continued construction program from the Qualified School Construction Bonds (QSCB) funds in budget waiting to be expended.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. With these adjustments, the General Fund's budgeted expenditures, plus operating transfers, was \$2,110,605 less than the final budgeted amounts. Within this amount, the most significant variance was caused by capital construction projects budgeted but not expended. The final construction costs were less than earlier anticipated. The General Fund balance increased by that same amount. This increase in fund balance is attributed to decreased expenditures over all within the General Fund, decreased construction costs as we finish the QSCB capital building program, increased property values after budget adoption, and increased District enrollment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had invested \$22,343,771 in a broad range of capital assets, including land, equipment, buildings, and vehicles, net of accumulated depreciation. (See Table A-4, stated in thousands).

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

| | Governmental Activities | | Total Percentage Change |
|--------------------------|----------------------------|-----------|-------------------------------|
| | 2013 | 2012 | 2013-2012 |
| Land | \$ 640 | \$ 471 | 35.88 |
| Construction in progress | 10 | 2,006 | (99.50) |
| Buildings & improvements | 36,702 | 33,018 | 11.16 |
| Vehicles | 2,447 | 2,262 | 8.18 |
| Equipment | 1,131 | 1,070 | 5.70 |
| Total capital assets | 40,930 | 38,827 | 5.42 |
| Accumulated depreciation | (18,588) | (17,630) | 5.43 |
| Net capital assets | \$ 22,342 | \$ 21,197 | 5.40 |

In late 2009, the District applied for and received approval from TEA to receive Qualified School Construction Bond (QSCB) funds in the amount of \$5,000,000. The District used these funds in combination with planned expenditures of \$5.8 million dollars from the District's fund balance. The combined amounts of \$10.8 million dollars were used to renovate the High School athletic/PE facility, build a new Junior High gym facility, plus a new High School music facility. In Addition, the District completed several traffic and safety renovations including a new bus lane and canopy system at the Gonzales Elementary campus, a new parent drop-off and pick-up lane at East Avenue campus to support student safety, as well as the construction of a new canopy system at the Junior High campus to help keep students out of inclement weather.

The District also finished renovating and expanding the East Avenue cafeteria; renovating the East Avenue buildings # 300, 400, 500 student restrooms, renovating the North Avenue campus gym and annex building, and the completion of a canopy system at the Gonzales Elementary campus. This completed the QSCB capital improvements projects.

Long Term Debt

At year-end the District had \$6,690,190 in bonds and notes outstanding 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 thousand dollars)

| | Governmental Activites | | Total Percentage Change |
|-----------------------------|---------------------------|----------|-------------------------------|
| | 2013 | 2012 | 2013-2012 |
| General bonded indebtedness | \$ 6,690 | \$ 7,478 | (10.54) |
| Total long term debt | \$ 6,690 | \$ 7,478 | (10.54) |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Appraisal District continues to predict that the District will see a continued growth in local property values due to the expansion of oil and gas values in Gonzales County. We just do not know exactly how much. Net property values have grown by 85.6 %, more than doubling our values from two years ago. The District continues to experience enrollment growth. This may not be directly influenced by the oil drilling economy, but more likely a result in the indirect increase in community growth from oil related business. The District must remain cautious so that we do not either over build in response to the enrollment growth or over spend as we watch what the oil growth does within the county.
- As the District starts its 2014-2015 budgeting cycle, we are faced with a decrease in State revenue because as local values increase, State Revenues to the District will decrease. Due to the impact of the oil activity on property values, we are on the verge of becoming a property rich or Chapter 41 District. We anticipate having to send dollars to the State in the 2015-2016 school year. Budgeting will need to be cautious as it is impossible to predict the oil and gas impact to net property values.
- The District passed a \$24,985,000 bond in the November 2013 election. The District has started the construction planning process that will go through the 2015-2016 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

GONZALES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2013

| Data Control Codes | 1 | Governmental Activities |
|---------------------------------------|---|----------------------------|
| ASSETS: | | |
| 1110 | <i>Cash and Cash Equivalents</i> | \$ 1,052,389 |
| 1120 | <i>Current Investments</i> | 9,252,132 |
| 1225 | <i>Property Taxes Receivable (Net)</i> | 623,898 |
| 1240 | <i>Due from Other Governments</i> | 1,115,407 |
| 1300 | <i>Inventories</i> | 71,674 |
| 1420 | <i>Capitalized Bond and Other Debt Issuance Costs</i> | 155,949 |
| Capital Assets: | | |
| 1510 | <i>Land</i> | 640,226 |
| 1520 | <i>Buildings and Improvements, Net</i> | 20,675,886 |
| 1530 | <i>Furniture and Equipment, Net</i> | 1,017,659 |
| 1580 | <i>Construction in Progress</i> | 10,000 |
| 1000 | Total Assets | <u>34,615,220</u> |
| LIABILITIES: | | |
| 2110 | <i>Accounts Payable</i> | 621,844 |
| 2165 | <i>Accrued Liabilities</i> | 933,983 |
| 2180 | <i>Due to Other Governments</i> | 176,348 |
| 2190 | <i>Due to Student Groups</i> | 1,133 |
| 2300 | <i>Unearned Revenue</i> | 25,409 |
| Noncurrent Liabilities: | | |
| 2501 | <i>Due Within One Year</i> | 810,737 |
| 2502 | <i>Due in More Than One Year</i> | 5,879,453 |
| 2000 | Total Liabilities | <u>8,448,907</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| <i>Deferred Revenue</i> | | |
| 2600 | Total Deferred Inflows of Resources | <u>--</u> |
| NET POSITION | | |
| 3200 | Net Investment in Capital Assets | 15,809,530 |
| Restricted For: | | |
| 3850 | Debt Service | 373,750 |
| 3900 | Unrestricted | 9,983,033 |
| 3000 | Total Net Position | <u>\$ 26,166,313</u> |

The accompanying notes are an integral part of this statement.

GONZALES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2013

| Data Control Codes | Functions/Programs | 1 Expenses | 3 Program Revenues | | 4 Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|--------------------------|---|----------------------|-------------------------|----------------------------|---|--|
| | | | Charges for Services | Governmental Activities | | |
| | Governmental Activities: | | | | | |
| 11 | <i>Instruction</i> | \$ 14,079,430 | \$ -- | | \$ 1,930,478 | \$ (12,148,952) |
| 12 | <i>Instructional Resources and Media Services</i> | 401,288 | -- | | 14,441 | (386,847) |
| 13 | <i>Curriculum and Staff Development</i> | 437,449 | -- | | 185,590 | (251,859) |
| 21 | <i>Instructional Leadership</i> | 238,536 | -- | | 8,699 | (229,837) |
| 23 | <i>School Leadership</i> | 1,451,143 | -- | | 52,636 | (1,398,507) |
| 31 | <i>Guidance, Counseling, & Evaluation Services</i> | 852,508 | -- | | 166,452 | (686,056) |
| 32 | <i>Social Work Services</i> | 26,423 | -- | | 964 | (25,459) |
| 33 | <i>Health Services</i> | 262,255 | -- | | 9,564 | (252,691) |
| 34 | <i>Student Transportation</i> | 1,088,654 | -- | | 46,074 | (1,042,580) |
| 35 | <i>Food Service</i> | 1,312,164 | 168,163 | | 1,104,608 | (39,393) |
| 36 | <i>Cocurricular/Extracurricular Activities</i> | 916,039 | 168,623 | | 29,557 | (717,859) |
| 41 | <i>General Administration</i> | 966,418 | -- | | 35,245 | (931,173) |
| 51 | <i>Facilities Maintenance and Operations</i> | 2,475,438 | -- | | 90,615 | (2,384,823) |
| 52 | <i>Security and Monitoring Services</i> | 46,709 | -- | | 1,703 | (45,006) |
| 53 | <i>Data Processing Services</i> | 225,799 | -- | | 8,235 | (217,564) |
| 61 | <i>Community Services</i> | 72,369 | -- | | 59,823 | (12,546) |
| 72 | <i>Interest on Long-term Debt</i> | 136,899 | -- | | 124,452 | (12,447) |
| 73 | <i>Bond Issuance Costs and Fees</i> | 23,161 | -- | | -- | (23,161) |
| 81 | <i>Capital Outlay</i> | 37,626 | -- | | 67,687 | 30,061 |
| 99 | <i>Other Intergovernmental Charges</i> | 312,125 | -- | | -- | (312,125) |
| TG | Total Governmental Activities | <u>25,362,433</u> | <u>336,786</u> | | <u>3,936,823</u> | <u>(21,088,824)</u> |
| TP | Total Primary Government | <u>\$ 25,362,433</u> | <u>\$ 336,786</u> | | <u>\$ 3,936,823</u> | <u>(21,088,824)</u> |
| | General Revenues: | | | | | |
| MT | <i>Property Taxes, Levied for General Purposes</i> | | | | | 11,333,856 |
| DT | <i>Property Taxes, Levied for Debt Service</i> | | | | | 449,469 |
| IE | <i>Investment Earnings</i> | | | | | 25,799 |
| GC | <i>Grants and Contributions Not Restricted to Specific Programs</i> | | | | | 11,731,870 |
| MI | <i>Miscellaneous</i> | | | | | 106,791 |
| TR | Total General Revenues and Transfers | | | | | <u>23,647,785</u> |
| CN | Change in Net Position | | | | | 2,558,961 |
| NB | Net Position - Beginning | | | | | <u>23,607,352</u> |
| NE | Net Position - Ending | | | | | <u>\$ 26,166,313</u> |

The accompanying notes are an integral part of this statement.

GONZALES 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 | \$ 890,367 | \$ 159,176 | \$ 1,049,543 |
| 1120 | Current Investments | 8,881,259 | 370,873 | 9,252,132 |
| 1225 | Taxes Receivable, Net | 623,898 | -- | 623,898 |
| 1240 | Due from Other Governments | 712,184 | 403,223 | 1,115,407 |
| 1260 | Due from Other Funds | 46,807 | 1,083 | 47,890 |
| 1300 | Inventories | 55,693 | 15,981 | 71,674 |
| 1000 | Total Assets | <u>11,210,208</u> | <u>950,336</u> | <u>12,160,544</u> |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| 2110 | Accounts Payable | \$ 254,944 | \$ 364,054 | \$ 618,998 |
| 2150 | Payroll Deductions & Withholdings | 283,867 | -- | 283,867 |
| 2160 | Accrued Wages Payable | 602,641 | 47,475 | 650,116 |
| 2170 | Due to Other Funds | 13,612 | 34,278 | 47,890 |
| 2180 | Due to Other Governments | 176,348 | -- | 176,348 |
| 2190 | Due to Student Groups | 1,133 | -- | 1,133 |
| 2300 | Unearned Revenue | 21,425 | 3,984 | 25,409 |
| 2000 | Total Liabilities | <u>1,353,970</u> | <u>449,791</u> | <u>1,803,761</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| | Deferred Revenue | 623,898 | -- | 623,898 |
| 2600 | Total Deferred Inflows of Resources | <u>623,898</u> | <u>--</u> | <u>623,898</u> |
| FUND BALANCES: | | | | |
| Nonspendable Fund Balances: | | | | |
| 3410 | Inventories | 55,693 | 15,981 | 71,674 |
| Restricted Fund Balances: | | | | |
| 3450 | Federal/State Funds Grant Restrictions | -- | 82,682 | 82,682 |
| 3470 | Capital Acquisitions & Contractual Obligations | 145,792 | -- | 145,792 |
| 3480 | Retirement of Long-Term Debt | -- | 373,750 | 373,750 |
| Committed Fund Balances: | | | | |
| 3510 | Construction | 1,270,001 | -- | 1,270,001 |
| 3530 | Capital Expenditures for Equipment | 245,000 | -- | 245,000 |
| 3600 | Unassigned | 7,515,854 | -- | 7,515,854 |
| Unassigned, Reported in Nonmajor: | | | | |
| 3610 | Special Revenue Funds | -- | 28,132 | 28,132 |
| 3000 | Total Fund Balances | <u>9,232,340</u> | <u>500,545</u> | <u>9,732,885</u> |
| 4000 | Total Liabilities, Deferred Inflow of Resources and Fund Balances | <u>\$ 11,210,208</u> | <u>\$ 950,336</u> | <u>\$ 12,160,544</u> |

The accompanying notes are an integral part of this statement.

GONZALES 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 | \$ 9,732,885 |
| Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 22,343,771 |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (6,690,190) |
| Bond issuance costs are capitalized and amortized in governmental activities and are are not reported in the funds. | 155,949 |
| Other long-term assets are not available to pay for current period expenditures and are deferred in the funds. | <u>623,898</u> |
| Net position of governmental activities - Statement of Net Position | <u>\$ 26,166,313</u> |

The accompanying notes are an integral part of this statement.

GONZALES 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 <i>Local and Intermediate Sources</i> | \$ 11,496,858 | \$ 698,637 | \$ 12,195,495 |
| 5800 <i>State Program Revenues</i> | 12,342,874 | 278,340 | 12,621,214 |
| 5900 <i>Federal Program Revenues</i> | 272,485 | 2,774,994 | 3,047,479 |
| 5020 Total Revenues | <u>24,112,217</u> | <u>3,751,971</u> | <u>27,864,188</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 <i>Instruction</i> | 12,228,101 | 1,443,536 | 13,671,637 |
| 0012 <i>Instructional Resources and Media Services</i> | 382,489 | -- | 382,489 |
| 0013 <i>Curriculum and Staff Development</i> | 252,496 | 176,057 | 428,553 |
| 0021 <i>Instructional Leadership</i> | 230,418 | -- | 230,418 |
| 0023 <i>School Leadership</i> | 1,394,143 | 7,880 | 1,402,023 |
| 0031 <i>Guidance, Counseling, & Evaluation Services</i> | 687,791 | 140,484 | 828,275 |
| 0032 <i>Social Work Services</i> | 25,524 | -- | 25,524 |
| 0033 <i>Health Services</i> | 253,329 | -- | 253,329 |
| 0034 <i>Student Transportation</i> | 1,131,393 | 3,358 | 1,134,751 |
| 0035 <i>Food Service</i> | -- | 1,266,741 | 1,266,741 |
| 0036 <i>Cocurricular/Extracurricular Activities</i> | 782,856 | 68,202 | 851,058 |
| 0041 <i>General Administration</i> | 933,527 | -- | 933,527 |
| 0051 <i>Facilities Maintenance and Operations</i> | 2,360,210 | 26,500 | 2,386,710 |
| 0052 <i>Security and Monitoring Services</i> | 45,119 | -- | 45,119 |
| 0053 <i>Data Processing Services</i> | 218,114 | -- | 218,114 |
| 0061 <i>Community Services</i> | 12,964 | 59,334 | 72,298 |
| 0071 <i>Principal on Long-term Debt</i> | 317,844 | 470,000 | 787,844 |
| 0072 <i>Interest on Long-term Debt</i> | 39,299 | 97,632 | 136,931 |
| 0073 <i>Bond Issuance Costs and Fees</i> | -- | 400 | 400 |
| 0081 <i>Capital Outlay</i> | 1,792,800 | 100,684 | 1,893,484 |
| 0099 <i>Other Intergovernmental Charges</i> | 312,125 | -- | 312,125 |
| 6030 Total Expenditures | <u>23,400,542</u> | <u>3,860,808</u> | <u>27,261,350</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | <u>711,675</u> | <u>(108,837)</u> | <u>602,838</u> |
| Other Financing Sources and (Uses): | | | |
| 7915 <i>Transfers In</i> | 19,940 | -- | 19,940 |
| 8911 <i>Transfers Out</i> | (5,323) | (19,940) | (25,263) |
| 7080 Total Other Financing Sources and (Uses) | <u>14,617</u> | <u>(19,940)</u> | <u>(5,323)</u> |
| 1200 Net Change in Fund Balances | <u>726,292</u> | <u>(128,777)</u> | <u>597,515</u> |
| 0100 Fund Balances - Beginning | <u>8,506,048</u> | <u>629,322</u> | <u>9,135,370</u> |
| 3000 Fund Balances - Ending | <u>\$ 9,232,340</u> | <u>\$ 500,545</u> | <u>\$ 9,732,885</u> |

The accompanying notes are an integral part of this statement.

GONZALES 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 | \$ 597,515 |
| Amounts reported for governmental activities in the Statement of Activities (SOA) are different because: | |
| Capital outlays are not reported as expenses in the SOA. | 2,104,783 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (965,658) |
| Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds. | 7,756 |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | 49,450 |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | 787,876 |
| Bond issuance costs and similar items are amortized in the SOA but not in the funds. | <u>(22,761)</u> |
| Change in net position of governmental activities - Statement of Activities | <u>\$ 2,558,961</u> |

The accompanying notes are an integral part of this statement.

GONZALES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

AUGUST 31, 2013

| Data Control Codes | | Nonmajor Internal Service Fund Print Shop Fund |
|--------------------------|----------------------------------|---|
| | ASSETS: | |
| | Current Assets: | |
| 1110 | <i>Cash and Cash Equivalents</i> | \$ 2,846 |
| | Total Current Assets | <u>2,846</u> |
| 1000 | Total Assets | <u>2,846</u> |
| | LIABILITIES: | |
| | Current Liabilities: | |
| 2110 | <i>Accounts Payable</i> | \$ 2,846 |
| | Total Current Liabilities | <u>2,846</u> |
| 2000 | Total Liabilities | <u>2,846</u> |
| | NET POSITION: | |
| 3000 | Total Net Position | <u><u>\$ --</u></u> |

The accompanying notes are an integral part of this statement.

GONZALES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2013

| Data Control Codes | | Nonmajor Internal Service Fund <u>Print Shop Fund</u> |
|--------------------------|--|--|
| | OPERATING REVENUES: | |
| 5700 | <i>Local and Intermediate Sources</i> | \$ 7,799 |
| 5020 | Total Revenues | <u>7,799</u> |
| | OPERATING EXPENSES: | |
| 6200 | <i>Professional and Contracted Services</i> | 2,846 |
| 6300 | <i>Supplies and Materials</i> | <u>10,276</u> |
| 6030 | Total Expenses | <u>13,122</u> |
| | Income (Loss) before Contributions and Transfers | (5,323) |
| 7915 | <i>Transfers In</i> | <u>5,323</u> |
| 1300 | Change in Net Position | -- |
| 0100 | Total Net Position - Beginning | -- |
| 3300 | Total Net Position - Ending | <u>\$ --</u> |

The accompanying notes are an integral part of this statement.

GONZALES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUND

FOR THE YEAR ENDED AUGUST 31, 2013

| | Nonmajor Internal Service Fund <u>Print Shop Fund</u> |
|--|--|
| Cash Flows from Operating Activities: | |
| <i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i> | \$ 7,799 |
| <i>Cash Payments to Other Suppliers for Goods and Services</i> | <u>(10,276)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>(2,477)</u> |
| Cash Flows from Non-capital Financing Activities: | |
| <i>Transfers From (To) Other Funds</i> | 5,323 |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>5,323</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,846 |
| Cash and Cash Equivalents at Beginning of Year | -- |
| Cash and Cash Equivalents at End of Year | <u>\$ 2,846</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating Income (Loss) | \$ (5,323) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | |
| Change in Assets and Liabilities: | |
| <i>Increase (Decrease) in Accounts Payable</i> | <u>2,846</u> |
| Total Adjustments | <u>2,846</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (2,477)</u> |

The accompanying notes are an integral part of this statement.

GONZALES INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2013

| Data Control Codes | Private-purpose Trust Funds | Agency Funds Student Activity |
|---------------------------------------|-----------------------------------|--|
| ASSETS: | | |
| 1110 <i>Cash and Cash Equivalents</i> | \$ 164,814 | \$ -- |
| 1120 <i>Current Investments</i> | 94,103 | 99,124 |
| 1000 Total Assets | <u>258,917</u> | <u>99,124</u> |
| LIABILITIES: | | |
| Current Liabilities: | | |
| 2190 <i>Due to Student Groups</i> | \$ -- | \$ 99,124 |
| 2000 Total Liabilities | <u>--</u> | <u>99,124</u> |
| NET POSITION: | | |
| 3800 <i>Held in Trust</i> | 258,917 | -- |
| 3000 Total Net Position | <u>\$ 258,917</u> | <u>\$ --</u> |

The accompanying notes are an integral part of this statement.

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

| | Private-purpose Trust Funds |
|------------------------------------|-----------------------------------|
| Additions: | |
| Investment Income | \$ 950 |
| Gifts and Bequests | 40,289 |
| Total Additions | <u>41,239</u> |
| Deductions: | |
| Scholarship Awards | 40,589 |
| Total Deductions | <u>40,589</u> |
| Change in Net Position | 650 |
| Net Position-Beginning of the Year | 258,267 |
| Net Position-End of the Year | <u>\$ 258,917</u> |

The accompanying notes are an integral part of this statement.

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

1. Reporting Entity

The Board of School Trustees (Board), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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 funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided

GONZALES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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 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 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.

GONZALES INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013*

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.

Property taxes receivable at year end are as follows:

| | |
|-----------------------------------|-------------------|
| Gross property taxes receivable | \$ 1,245,949 |
| Less: Allowance for uncollectible | <u>(622,051)</u> |
| Net property taxes receivable | <u>\$ 623,898</u> |

c. Inventories

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

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 | 50 |
| Building Improvements | 20 |
| Vehicles | 2-15 |
| Office Equipment | 3-15 |
| Computer Equipment | 3-15 |

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement 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.

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 recognized as an inflow of resources (revenue) until that time.

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.

GONZALES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

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 positions.

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 spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

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

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

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

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.

k. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond

GONZALES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2013

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.

I. 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 |

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 \$1,268,902 and the bank balance was \$1,466,770. 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

GONZALES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

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> |
|--------------------------------------|-----------------|---------------------|
| Texpool | N/A | \$ 3,508,179 |
| MBIA-Colostrust Money Market | N/A | 1,113,080 |
| Lone Star Investment Pool | | |
| Corporate Overnight Plus | N/A | 4,129,539 |
| Total Investments | | <u>\$ 8,750,798</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:

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Rating Service</u> |
|--------------------------------------|-----------------|-------------------------------------|
| Texpool | AAAm | Standard & Poors |
| MBIA-Colostrust Money Market | AAA | Moodys, Standard & Poors, and Fitch |
| Lone Star Investment Pool | | |
| Corporate Overnight Plus | AAA | Standard & Poors |

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.

GONZALES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2013

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

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

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

D. Capital Assets

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

| | Beginning Balances | Increases | Decreases | Transfers | Ending Balances |
|---|-----------------------|------------|-----------|-------------|--------------------|
| <u>Governmental activities:</u> | | | | | |
| <i>Capital assets not being depreciated:</i> | | | | | |
| Land | \$ 470,609 | \$ 169,617 | | \$ -- | \$ 640,226 |
| Construction in progress | 2,006,487 | 10,000 | | (2,006,487) | 10,000 |
| Total capital assets not being depreciated | 2,477,096 | 179,617 | -- | (2,006,487) | 650,226 |

GONZALES INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013*

| | Beginning Balances | Increases | Decreases | Transfers | Ending Balances |
|---|-----------------------|--------------|------------|-----------|--------------------|
| <i>Governmental activities: (continued)</i> | | | | | |
| <i>Capital assets being depreciated:</i> | | | | | |
| Buildings and improvements | 33,018,022 | 1,677,895 | -- | 2,006,487 | 36,702,404 |
| Vehicles | 2,261,774 | 185,036 | -- | -- | 2,446,810 |
| Equipment | 1,069,957 | 62,235 | -- | -- | 1,132,192 |
| Total capital assets being depreciated | 36,349,753 | 1,925,166 | -- | 2,006,487 | 40,281,406 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (15,308,827) | (725,447) | (7,756) | -- | (16,026,518) |
| Vehicles | (1,485,626) | (146,539) | -- | -- | (1,632,165) |
| Equipment | (835,506) | (93,672) | -- | -- | (929,178) |
| Total accumulated depreciation | (17,629,959) | (965,658) | (7,756) | -- | (18,587,861) |
| Total capital assets being depreciated, net | 18,719,794 | 959,508 | (7,756) | 2,006,487 | 21,693,545 |
| Governmental activities capital assets, net | \$ 21,196,890 | \$ 1,139,125 | \$ (7,756) | \$ -- | \$ 22,343,771 |

Depreciation was charged to functions as follows:

| | |
|---|-------------------|
| Instruction | \$ 430,053 |
| Instructional Resources and Media Services | 1,476 |
| Curriculum and Staff Development | 8,896 |
| Instructional Leadership | 8,118 |
| School Leadership | 49,120 |
| Guidance, Counseling, & Evaluation Services | 24,233 |
| Social Work Services | 899 |
| Health Services | 8,926 |
| Student Transportation | 178,914 |
| Food Services | 45,423 |
| Extracurricular Activities | 64,981 |
| General Administration | 32,891 |
| Plant Maintenance and Operations | 88,728 |
| Security and Monitoring Services | 1,590 |
| Data Processing Services | 7,685 |
| Community Services | 71 |
| Facilities Acquisition and Construction | 1,654 |
| | <u>\$ 953,658</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 | \$ 34,278 | Short-term loans |
| Other Governmental Funds | General Fund | 1,083 | Short-term loans |
| | Total | <u>\$ 35,361</u> | |

The above analysis does not include interfund balances between the payroll clearing account and the general fund of \$12,529. The payroll clearing account is reported as part of the general fund in the fund financial statements.

GONZALES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2013

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:

| Transfers From | Transfers To | Amount | Reason |
|--------------------------|-----------------------|------------------|--|
| Other Governmental Funds | General Fund | \$ 19,940 | Residual transfer to close out capital project fund |
| General fund | Internal service fund | 5,323 | Resources provided by general fund to set up new fund. |
| | Total | \$ <u>25,263</u> | |

F. Long-Term Obligations

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 |
|---|---------------------|---------------------|-------------------|---------------------|-----------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 7,478,066 | \$ -- | \$ 787,876 | \$ 6,690,190 | \$ 810,737 |
| Total governmental activities | \$ <u>7,478,066</u> | \$ <u>--</u> | \$ <u>787,876</u> | \$ <u>6,690,190</u> | \$ <u>810,737</u> |
| | Interest Rates | Beginning Balance | Increases | Decreases | Ending Balance |
| General obligation bonds | | | | | |
| Unlimited Tax Refunding Series 2005 CIB | 3.39% | \$ 3,115,000 | \$ -- | \$ 470,000 | 2,645,000 |
| Maintenance Tax Notes Series 2009 QSCB | 1.0% | 4,363,066 | -- | 317,876 | 4,045,190 |
| Total | | \$ <u>7,478,066</u> | \$ <u>--</u> | \$ <u>787,876</u> | \$ <u>6,690,190</u> |

2. 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 | \$ 810,737 | \$ 117,767 | \$ 928,504 |
| 2015 | 833,623 | 97,930 | 931,553 |
| 2016 | 851,536 | 77,474 | 929,010 |
| 2017 | 879,475 | 56,314 | 935,789 |
| 2018 | 902,440 | 34,365 | 936,805 |
| 2019-2023 | 1,707,621 | 81,095 | 1,788,716 |
| 2024-2025 | 704,758 | 9,528 | 714,286 |
| Totals | \$ <u>6,690,190</u> | \$ <u>474,473</u> | \$ <u>7,164,663</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

GONZALES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 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 \$849,602, \$829,985 and \$900,371, respectively. The District paid additional state contributions for the years ending August 31, 2013, 2012 and 2011 in the amount of \$123,426, \$96,901, and \$183,694, 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.

GONZALES INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2013

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 and active public school employee contribution rates were 0.5% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% 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 \$77,932, \$144,612, and \$144,061, respectively, the active member contributions were \$101,298, \$93,997, and \$93,639, respectively, and the District's contributions were \$85,725, \$79,537, and \$79,233, respectively, which equaled the required contributions each year.

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 \$42,011, \$37,458, and \$36,015, 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 licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

Latest financial statements for the TRS Active Care are available for the year end and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

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.

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.

GONZALES 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 | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | |
|---|--|-------------------|-------------------|--|------------------|
| | 1 | 2 | 3 | | |
| | Original | Final | Actual | | |
| REVENUES: | | | | | |
| 5700 | Local and Intermediate Sources | \$ 10,173,882 | \$ 10,225,032 | \$ 11,496,858 | \$ 1,271,826 |
| 5800 | State Program Revenues | 12,185,425 | 12,185,425 | 12,342,874 | 157,449 |
| 5900 | Federal Program Revenues | 275,000 | 275,000 | 272,485 | (2,515) |
| 5020 | Total Revenues | <u>22,634,307</u> | <u>22,685,457</u> | <u>24,112,217</u> | <u>1,426,760</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction & Instructional Related Services: | | | | | |
| 0011 | Instruction | 13,008,727 | 13,055,282 | 12,228,101 | 827,181 |
| 0012 | Instructional Resources and Media Services | 363,807 | 388,311 | 382,489 | 5,822 |
| 0013 | Curriculum and Staff Development | 246,969 | 274,065 | 252,496 | 21,569 |
| | Total Instruction & Instr. Related Services | <u>13,619,503</u> | <u>13,717,658</u> | <u>12,863,086</u> | <u>854,572</u> |
| Instructional and School Leadership: | | | | | |
| 0021 | Instructional Leadership | 233,208 | 238,808 | 230,418 | 8,390 |
| 0023 | School Leadership | 1,379,233 | 1,409,233 | 1,394,143 | 15,090 |
| | Total Instructional & School Leadership | <u>1,612,441</u> | <u>1,648,041</u> | <u>1,624,561</u> | <u>23,480</u> |
| Support Services - Student (Pupil): | | | | | |
| 0031 | Guidance, Counseling and Evaluation Services | 692,690 | 700,795 | 687,791 | 13,004 |
| 0032 | Social Work Services | 27,300 | 27,300 | 25,524 | 1,776 |
| 0033 | Health Services | 265,242 | 265,242 | 253,329 | 11,913 |
| 0034 | Student (Pupil) Transportation | 1,033,880 | 1,217,640 | 1,131,393 | 86,247 |
| 0036 | Cocurricular/Extracurricular Activities | 789,999 | 853,883 | 782,856 | 71,027 |
| | Total Support Services - Student (Pupil) | <u>2,809,111</u> | <u>3,064,860</u> | <u>2,880,893</u> | <u>183,967</u> |
| Administrative Support Services: | | | | | |
| 0041 | General Administration | 1,071,833 | 1,096,633 | 933,527 | 163,106 |
| | Total Administrative Support Services | <u>1,071,833</u> | <u>1,096,633</u> | <u>933,527</u> | <u>163,106</u> |
| Support Services - Nonstudent Based: | | | | | |
| 0051 | Plant Maintenance and Operations | 2,347,842 | 2,463,612 | 2,360,210 | 103,402 |
| 0052 | Security and Monitoring Services | 47,500 | 53,500 | 45,119 | 8,381 |
| 0053 | Data Processing Services | 178,154 | 224,312 | 218,114 | 6,198 |
| | Total Support Services - Nonstudent Based | <u>2,573,496</u> | <u>2,741,424</u> | <u>2,623,443</u> | <u>117,981</u> |
| Ancillary Services: | | | | | |
| 0061 | Community Services | 23,430 | 23,430 | 12,964 | 10,466 |
| | Total Ancillary Services | <u>23,430</u> | <u>23,430</u> | <u>12,964</u> | <u>10,466</u> |
| Debt Service: | | | | | |
| 0071 | Principal on Long-Term Debt | 316,000 | 316,000 | 317,844 | (1,844) |
| 0072 | Interest on Long-Term Debt | 43,000 | 43,000 | 39,299 | 3,701 |
| | Total Debt Service | <u>359,000</u> | <u>359,000</u> | <u>357,143</u> | <u>1,857</u> |
| Capital Outlay: | | | | | |
| 0081 | Capital Outlay | 34,920 | 2,320,024 | 1,792,800 | 527,224 |
| | Total Capital Outlay | <u>34,920</u> | <u>2,320,024</u> | <u>1,792,800</u> | <u>527,224</u> |
| 0099 | Other Intergovernmental Charges | 529,318 | 529,318 | 312,125 | 217,193 |
| | Total Intergovernmental Charges | <u>529,318</u> | <u>529,318</u> | <u>312,125</u> | <u>217,193</u> |

GONZALES 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 | | | |
| | | Original | Final | Actual | |
| 6030 | Total Expenditures | <u>22,633,052</u> | <u>25,500,388</u> | <u>23,400,542</u> | <u>2,099,846</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | <u>1,255</u> | <u>(2,814,931)</u> | <u>711,675</u> | <u>3,526,606</u> |
| | Other Financing Sources (Uses): | | | | |
| 7915 | Transfers In | -- | 19,940 | 19,940 | -- |
| 8911 | Transfers Out | -- | (15,000) | (5,323) | 9,677 |
| 7080 | Total Other Financing Sources and (Uses) | <u>--</u> | <u>4,940</u> | <u>14,617</u> | <u>9,677</u> |
| 1200 | Net Change in Fund Balance | <u>1,255</u> | <u>(2,809,991)</u> | <u>726,292</u> | <u>3,536,283</u> |
| 0100 | Fund Balance - Beginning | <u>8,506,048</u> | <u>8,506,048</u> | <u>8,506,048</u> | -- |
| 3000 | Fund Balance - Ending | <u>\$ 8,507,303</u> | <u>\$ 5,696,057</u> | <u>\$ 9,232,340</u> | <u>\$ 3,536,283</u> |

Other Supplementary Information Section

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.

GONZALES INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2013*

| Year Ended August 31 | Tax Rates | | 3 Assessed/Appraised Value For School Tax Purposes |
|--------------------------------|------------------|-------------------|---|
| | 1 Maintenance | 2 Debt Service | |
| 2004 and Prior Years | \$ Various | \$ Various | \$ Various |
| 2005 | 1.3451 | .0649 | 382,442,270 |
| 2006 | 1.3435 | .0665 | 438,224,322 |
| 2007 | 1.2313 | .0647 | 456,855,840 |
| 2008 | .9357 | .0707 | 501,197,834 |
| 2009 | 1.015 | .0655 | 577,066,040 |
| 2010 | 1.04 | .0715 | 576,322,529 |
| 2011 | 1.04 | .0683 | 554,584,162 |
| 2012 | 1.04 | .0655 | 647,771,958 |
| 2013 (School Year Under Audit) | .9357 | .0367 | 1,201,951,716 |

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 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 217,939 | \$ -- | \$ 17,925 | \$ 556 | \$ 316 | \$ 199,774 |
| 47,380 | -- | 3,721 | 168 | (314) | 43,177 |
| 63,981 | -- | 4,378 | 228 | (861) | 58,514 |
| 76,841 | -- | 6,327 | 373 | (1,645) | 68,496 |
| 66,603 | -- | 4,833 | 362 | (441) | 60,967 |
| 97,585 | -- | 16,485 | 751 | 4,696 | 85,045 |
| 147,841 | -- | 27,882 | 1,669 | 2,626 | 120,916 |
| 172,446 | -- | 37,108 | 2,178 | 2,914 | 136,074 |
| 256,263 | -- | 70,879 | 4,336 | (5,408) | 175,640 |
| -- | 11,687,778 | 10,944,993 | 431,403 | (14,036) | 297,346 |
| <u>\$ 1,146,879</u> | <u>\$ 11,687,778</u> | <u>\$ 11,134,531</u> | <u>\$ 442,024</u> | <u>\$ (12,153)</u> | <u>\$ 1,245,949</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |

GONZALES 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 AND RELATED FUNCTION 53 - 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 | \$ -- | \$ -- | \$ 198,758 | \$ 477,924 | \$ -- | \$ -- | \$ 676,682 |
| 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 | 5,467 | -- | 40,959 | -- | -- | -- | 46,426 |
| 6212 | Audit Services | -- | -- | -- | 12,000 | -- | -- | 12,000 |
| 6213 | Tax Appraisal and Collection | -- | 429,496 | -- | -- | -- | -- | 429,496 |
| 621X | Other Prof. Services | -- | -- | 5,186 | -- | -- | -- | 5,186 |
| 6220 | Tuition and Transfer Payments | -- | -- | -- | -- | -- | -- | -- |
| 6230 | Education Service Centers | -- | -- | -- | 3,492 | -- | -- | 3,492 |
| 6240 | Contr. Maint. and Repair | -- | -- | -- | -- | -- | -- | -- |
| 6250 | Utilities | -- | -- | -- | -- | -- | -- | -- |
| 6260 | Rentals | -- | -- | -- | 9,988 | 10,144 | -- | 20,132 |
| 6290 | Miscellaneous Contr. | 24,100 | -- | -- | -- | -- | -- | 24,100 |
| 6310 | Operational Supplies, Materials | -- | -- | -- | -- | -- | -- | -- |
| 6320 | Textbooks and Reading | -- | -- | -- | -- | -- | -- | -- |
| 6330 | Testing Materials | -- | -- | -- | -- | -- | -- | -- |
| 63XX | Other Supplies, Materials | 148 | -- | 7,066 | 34,623 | 5,136 | -- | 46,973 |
| 6410 | Travel, Subsistence, Stipends | 6,911 | -- | 3,722 | 9,702 | -- | -- | 20,335 |
| 6420 | Ins. and Bonding Costs | -- | 888 | -- | 213 | -- | -- | 1,101 |
| 6430 | Election Costs | 38 | -- | -- | -- | -- | -- | 38 |
| 6490 | Miscellaneous Operating | 4,457 | -- | 16,052 | 5,174 | -- | -- | 25,683 |
| 6500 | Debt Service | -- | -- | -- | -- | -- | -- | -- |
| 6600 | Capital Outlay | -- | -- | -- | -- | -- | -- | -- |

Total \$ 41,121 \$ 430,384 \$ 271,743 \$ 553,116 \$ 15,280 \$ -- \$ 1,311,644

Total Expenditures for General and Special Revenue Funds (9) \$ 26,592,634

LESS: Deductions of Unallowable Costs

FISCAL YEAR

| | | |
|--|------|--------------|
| Total Capital Outlay (6600) | (10) | \$ 2,011,758 |
| Total Debt & Lease (6500) | (11) | \$ 357,143 |
| Plant Maintenance (Function 51, 6100-6400) | (12) | \$ 2,386,710 |
| Food (Function 35, 6341 and 6499) | (13) | \$ 17,657 |
| Stipends (6413) | (14) | \$ -- |
| Column 4 (above) - Total Indirect Cost | | \$ 553,116 |

Subtotal 5,326,384

Net Allowed Direct Cost \$ 21,266,250

CUMULATIVE

| | | |
|---|------|---------------|
| Total Cost of Buildings Before Depreciation (1520) | (15) | \$ 36,702,404 |
| Historical Cost of Buildings over 50 years old | (16) | 4,088,666 |
| Amount of Federal Money in Building Cost (Net of #16) | (17) | -- |
| Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540) | (18) | 3,579,002 |
| Historical Cost of Furniture & Equipment over 16 years old | (19) | 841,469 |
| Amount of Federal Money in Furniture & Equipment (Net of #19) | (20) | \$ -- |

(8) Note A - \$65,992 in Function 53 expenditures and \$312,125 in Function 99 expenditures are included in this report on administrative costs.

GONZALES INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2013

| Data Control Codes | Explanation | Amount |
|--------------------------|--|--------------|
| 1 | Total General Fund Fund Balance as of August 31, 2013 (Exhibit C-1 object 3000 for the General Fund only) | \$ 9,232,340 |
| 2 | Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only) | 55,693 |
| 3 | Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only) | 145,792 |
| 4 | Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only) | 1,515,001 |
| 5 | Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only) | -- |
| 6 | Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues) | -- |
| 7 | Estimate of two months' average cash disbursements during the fiscal year | 5,200,120 |
| 8 | Estimate of delayed payments from state sources (58XX) | -- |
| 9 | Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount | -- |
| 10 | Estimate of delayed payments from federal sources (59XX) | -- |
| 11 | Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds) | -- |
| 12 | General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11) | 6,916,606 |
| 13 | Excess (Deficit) Unassigned General Fund Fund Balance (1-12) | \$ 2,315,734 |

If Item 11 is a Positive Number

Historically the District has strived to maintain an unassigned fund balance equal to three months of operating expenditures. At year end, the District had approximately one month of expenditures in excess unassigned fund balance.

GONZALES INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

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 | \$ 196,852 | \$ 196,852 | \$ 171,780 | \$ (25,072) |
| 5800 | State Program Revenues | 29,000 | 29,000 | 6,525 | (22,475) |
| 5900 | Federal Program Revenues | 1,124,000 | 1,124,000 | 1,079,507 | (44,493) |
| 5020 | Total Revenues | <u>1,349,852</u> | <u>1,349,852</u> | <u>1,257,812</u> | <u>(92,040)</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Support Services - Student (Pupil): | | | | | |
| 0035 | Food Services | <u>1,324,852</u> | <u>1,362,358</u> | <u>1,248,224</u> | <u>114,134</u> |
| | Total Support Services - Student (Pupil) | <u>1,324,852</u> | <u>1,362,358</u> | <u>1,248,224</u> | <u>114,134</u> |
| Support Services - Nonstudent Based: | | | | | |
| 0051 | Plant Maintenance and Operations | <u>25,000</u> | <u>25,000</u> | <u>25,000</u> | <u>--</u> |
| | Total Support Services - Nonstudent Based | <u>25,000</u> | <u>25,000</u> | <u>25,000</u> | <u>--</u> |
| 6030 | Total Expenditures | <u>1,349,852</u> | <u>1,387,358</u> | <u>1,273,224</u> | <u>114,134</u> |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | <u>--</u> | <u>(37,506)</u> | <u>(15,412)</u> | <u>22,094</u> |
| 1200 | Net Change in Fund Balance | <u>--</u> | <u>(37,506)</u> | <u>(15,412)</u> | <u>22,094</u> |
| 0100 | Fund Balance - Beginning | <u>112,931</u> | <u>112,931</u> | <u>112,931</u> | <u>--</u> |
| 3000 | Fund Balance - Ending | <u>\$ 112,931</u> | <u>\$ 75,425</u> | <u>\$ 97,519</u> | <u>\$ 22,094</u> |

GONZALES INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

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 | <i>Local and Intermediate Sources</i> | | \$ 394,247 | \$ 394,247 | \$ 450,328 | \$ 56,081 | |
| 5800 | <i>State Program Revenues</i> | | 174,385 | 174,385 | 124,452 | (49,933) | |
| 5020 | Total Revenues | | <u>568,632</u> | <u>568,632</u> | <u>574,780</u> | <u>6,148</u> | |
| EXPENDITURES: | | | | | | | |
| Debt Service: | | | | | | | |
| 0071 | <i>Principal on Long-Term Debt</i> | | 470,000 | 470,000 | 470,000 | -- | |
| 0072 | <i>Interest on Long-Term Debt</i> | | 97,632 | 97,632 | 97,632 | -- | |
| 0073 | <i>Bond Issuance Costs and Fees</i> | | 1,000 | 1,000 | 400 | 600 | |
| | Total Debt Service | | <u>568,632</u> | <u>568,632</u> | <u>568,032</u> | <u>600</u> | |
| 6030 | Total Expenditures | | <u>568,632</u> | <u>568,632</u> | <u>568,032</u> | <u>600</u> | |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | | | |
| 1100 | Expenditures | | -- | -- | 6,748 | 6,748 | |
| 1200 | Net Change in Fund Balance | | -- | -- | 6,748 | 6,748 | |
| 0100 | Fund Balance - Beginning | | 367,002 | 367,002 | 367,002 | -- | |
| 3000 | Fund Balance - Ending | | <u>\$ 367,002</u> | <u>\$ 367,002</u> | <u>\$ 373,750</u> | <u>\$ 6,748</u> | |

FLOYD AND GINDLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

421 ST. JAMES – P.O. BOX 638

Gonzales, TX 78629

(830)-672-2824

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

Board of Trustees
Gonzales Independent School District
926 St. Lawrence
Gonzales, Texas 78629

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, each major fund, and the aggregate remaining fund information of Gonzales Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Gonzales Independent School District's basic financial statements, and have issued our report thereon dated January 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gonzales 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 Gonzales Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Gonzales 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. 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 Gonzales 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*.

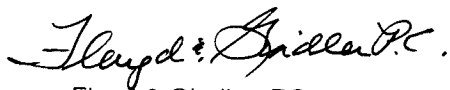
Gonzales Independent School District's Response to Findings

Gonzales Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Gonzales Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Respectfully submitted,



Floyd & Gindler, PC

Gonzales, Texas
January 13, 2014

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

Board of Trustees
Gonzales Independent School District
926 St. Lawrence
Gonzales, Texas 78629

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

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 Gonzales 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 Gonzales 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 Gonzales Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Gonzales 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 each of its major federal programs 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 Gonzales 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 Gonzales 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 Gonzales 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.

Respectfully submitted,



Floyd & Gindler, PC

Gonzales, Texas
January 13, 2014

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's 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 auditor's 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> |
|-----------------------|---|
| 84.010a | ESEA Title I, Part A-Improving Basic Programs |
| 84.027 and 84.173 | IDEA-B 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

GONZALES 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 | | |

GONZALES INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013

None

GONZALES INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

| (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: | | | |
| <i>ESEA Title I Part A - Improving Basic Programs *</i> | 84.010a | 1361010108990 | \$ 712,415 |
| <i>ESEA Title I Part A - Improving Basic Programs *</i> | 84.010a | 14610101089901 | 18,043 |
| Total CFDA Number 84.010a | | | <u>730,458</u> |
| <i>IDEA-B Formula *</i> | 84.027 | 13660001089901660 | 691,750 |
| <i>IDEA-B Formula *</i> | 84.027 | 14660001089901660 | 17,107 |
| Total CFDA Number 84.027 | | | <u>708,857</u> |
| <i>Career and Technical - Basic Grant</i> | 84.048 | 13420006089901 | 31,116 |
| <i>IDEA-B Preschool *</i> | 84.173 | 13661001089901661 | 7,016 |
| <i>IDEA-B Preschool *</i> | 84.173 | 14661001089901661 | 418 |
| Total CFDA Number 84.173 | | | <u>7,434</u> |
| <i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i> | 84.358 | 13610104089901001 | 38,541 |
| <i>Title III Part A English Language Acquisition and Language Enhance</i> | 84.365 | 13671001089901 | 26,204 |
| <i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i> | 84.367a | 13694501089901 | 162,443 |
| <i>Summer School LEP</i> | 84.369A | 69551102 | 1,292 |
| <i>Summer School LEP</i> | 84.369A | 69551302 | 3,339 |
| Total CFDA Number 84.369A | | | <u>4,631</u> |
| Total Passed Through State Department of Education | | | <u>1,709,684</u> |
| Total U. S. Department of Education | | | <u>1,709,684</u> |
| U. S. DEPARTMENT OF AGRICULTURE | | | |
| Passed Through State Department of Human Services: | | | |
| Summer Food Service Program * | 10.559 | 089-901 | 20,082 |
| Passed Through State Department of Education: | | | |
| | 10553 | 089-901 | |
| School Breakfast Program * | 10.553 | 089-901 | 362,306 |
| National School Lunch Program * | 10.555 | 089-901 | 667,580 |
| Commodity Supplemental Food Program (Non-cash) * | 10.565 | 089-901 | 49,620 |
| Total Passed Through State Department of Education | | | <u>1,079,506</u> |
| Total U. S. Department of Agriculture | | | <u>1,099,588</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ <u>2,809,272</u> |

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

The accompanying notes are an integral part of this schedule.

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

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Gonzales 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.

GONZALES INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2013*

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