

GONZALES INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2012*



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

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

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CERTIFICATE OF BOARD

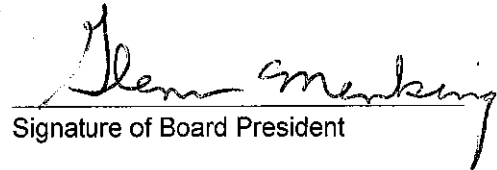
Gonzales Independent School District  
Name of School District

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, 2012, at a meeting of the board of trustees of such school district on the 14 day of January, 2013.

  
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)

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*Financial Section*

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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 Financial Statements**

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

Members of the Board of Trustees:

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 as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gonzales Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

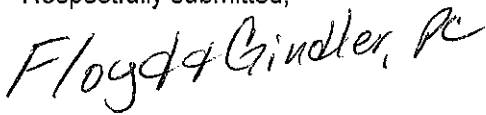
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gonzales Independent School District as of August 31, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Floyd & Gindler, PC". The signature is written in a cursive, slightly slanted style.

Floyd & Gindler, PC

January 11, 2013

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

#### FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$23,607,352 at August 31, 2012.
- During the year, the District's expenses were \$1,291,097 less than the \$25,373,669 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$8,506,048.

#### 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 assets includes all of the

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

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government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional 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 Self Insurance 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 assets were \$23,607,352 at August 31, 2012

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

	Governmental Activities		Total Percentage Change
	2012	2011	2012-2011
<b>Assets</b>			
<b>Current assets:</b>			
Cash, equivalents and investments	\$ 9,557	\$ 11,706	(18.36)
Receivables, net of allow.	574	560	2.50
Due from other governments	1,350	1,858	(27.34)
Other receivables, net	1	1	-
Inventories	51	46	10.87
<b>Total current assets</b>	<b>11,533</b>	<b>14,171</b>	<b>(18.62)</b>
<b>Noncurrent assets:</b>			
Bond issue cost (net)	179	202	(11.39)
Building, furniture & equipment net of accumulated depreciation	18,720	11,766	59.10
Land and construction in progress	2,477	7,503	(66.99)
<b>Total noncurrent assets</b>	<b>21,376</b>	<b>19,471</b>	<b>9.78</b>
<b>Total assets</b>	<b>32,909</b>	<b>33,642</b>	<b>(2.18)</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	1,605	2,785	(42.37)
Due to other governments	180	213	(15.49)
Deferred revenues	39	85	(54.12)
Current portion debt	788	765	3.01
<b>Total current liabilities</b>	<b>2,612</b>	<b>3,848</b>	<b>(32.12)</b>
<b>Long-term liabilities:</b>			
General obligation bonds	6,690	7,478	(10.54)
<b>Total noncurrent liabilities</b>	<b>6,690</b>	<b>7,478</b>	<b>(10.54)</b>
<b>Total liabilities</b>	<b>9,302</b>	<b>11,326</b>	<b>(17.87)</b>
<b>Net assets</b>			
Investment in capital assets	13,898	11,227	23.79
Restricted	487	2,277	(78.61)
Unrestricted	9,222	8,812	4.65
<b>Total net assets</b>	<b>\$ 23,607</b>	<b>\$ 22,316</b>	<b>5.79</b>

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

**Changes in net assets.** The District's total revenues were \$25,373,669. The major components of the District's revenues are as follows: 28.5% from local property taxes, 69.8% 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 \$24,082,572 as follows: 60.5% for instruction and instruction related services, 16.5% for support services-students, 10.4% for support services-nonstudent based, 6.5% 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 \$1.11083 in 2011 to \$1.1055 in 2012. Property values increased 16.8% from the prior year. These two factors combined to cause property tax revenues, both M&O and I&S, to increase \$513,758 or 7.6%.

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

	Governmental Activities		Total Percentage Change
	2012	2011	2012-2011
<b>Revenues</b>			
<b>Program revenues:</b>			
Charges for services	\$ 228	\$ 310	(26.45)
Operating grants	4,558	5,011	(9.04)
<b>General revenues:</b>			
Property taxes	7,231	6,717	7.65
State aid-Formula	13,144	12,772	2.91
Investment income	33	41	(19.51)
Other income	180	107	68.22
<b>Total revenues</b>	<u>25,374</u>	<u>24,958</u>	<u>1.67</u>
<b>Expenses</b>			
Instruction	13,686	13,272	3.12
Instructional resources and media services	367	376	(2.39)
Curriculum dev. & instructional staff dev.	529	597	(11.39)
Instructional leadership	212	235	(9.79)
School leadership	1,361	1,303	4.45
Guidance, counseling and evaluation services	776	760	2.11
Social work services	26	24	8.33
Health services	260	277	(6.14)
Student transportation	920	969	(5.06)
Food services	1,205	1,260	(4.37)
Cocurricular/extracurricular activities	809	820	(1.34)
General administration	857	801	6.99
Plant maintenance & oper.	2,289	2,282	0.31
Security & monitoring	45	64	(29.69)
Data processing services	190	199	(4.52)
Community services	67	82	(18.29)
Interest on long term debt	155	164	(5.49)
Bond issuance cost	24	17	41.18
Capital outlay	10	471	(97.88)
Other intergovernmental charges	295	303	(2.64)
<b>Total expenses</b>	<u>24,083</u>	<u>24,276</u>	<u>(0.80)</u>
<b>Increase in net assets</b>	1,291	682	89.30
<b>Beginning net assets</b>	22,316	21,634	3.15
<b>Ending net assets</b>	<u>\$ 23,607</u>	<u>\$ 22,316</u>	<u>5.79</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 \$24,082,572.
- However, the amount that taxpayers paid for these activities through property taxes was only \$7,230,546.

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**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
	2012	2011	2012-2011	2012	2011	2012-2011
Instruction	\$ 13,685	\$ 13,272	3.11	\$ 11,694	\$ 10,951	6.78
School leadership	1,361	1,303	4.45	1,350	1,234	9.40
Food service	1,205	1,260	(4.37)	20	39	48.72
General administration	857	801	6.99	857	741	15.65
Plant maintenance & oper.	2,289	2,282	0.31	2,288	1,621	41.15

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 \$25,390,332; a 1.6% increase from the preceding year. While investment interest rates continued to be low, the Districts Average Daily Attendance (ADA) and student enrollment increased. This resulted in greater State funding from what was originally budgeted. The District received \$442,366 more in local revenues than budgeted; this was attributed to an increase in property values, an increase in athletic revenue, plus the continuing effort to increase the collection of delinquent taxes.

Expenses from governmental fund types totaled \$26,783,681; an 11.8% decrease from the preceding year. This is primarily caused by the District's expenditures for its capital improvements 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 \$1,914,390.52 less than the final budgeted amounts. Within this amount, the most significant variance was caused by capital construction projects budgeted but not completed by year end. However, the General Fund fund balance actually increased by \$569,007. This increase in fund balance is attributed to increased enrollment and increased property values,

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of 2012, the District had invested \$21,196,890 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
	2012	2011	2012-2011
Land	\$ 471	\$ 471	-
Construction in progress	2,006	7,033	(71.48)
Buildings & improvements	33,018	25,818	27.89
Vehicles	2,262	2,082	8.65
Equipment	1,070	979	9.30
Total capital assets	38,827	36,383	6.72
Accumulated depreciation	(17,630)	(17,114)	3.02
Net capital assets	\$ 21,197	\$ 19,269	10.01

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 has used these funds in combination with the planned amount of \$5.8 million dollars from the District's fund balance. The combined amounts of \$10.8 million dollars have been used to renovate the High School athletic/PE facility, build a new Junior High gym facility, plus a new High School music facility. Additionally, the District completed several traffic and safety renovations including a new bus lane and canopy system at the Gonzales Elementary and the new parent drop-off and pick-up lane at East Avenue campus to support student safety. These projects were a result of a District Traffic committee that recommended the District improve student safety caused by the high traffic volume at the respective campuses. In addition, the District completed the construction of a new canopy system at the Junior High campus to help keep students out of inclement weather.

The District also is finishing renovation and expansion of the East Avenue cafeteria; East Avenue buildings # 300, 400, 500 student restrooms, North Avenue campus gym and annex building, as well as the extension of a canopy system at the Gonzales Elementary campus. These projects will finish December 2012 or January 2013.

### Long Term Debt

At year-end the District had \$7,478,066 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 Activities		Total Percentage Change
	2012	2011	2012-2011
General bonded indebtedness	\$ 7,478	\$ 8,243	(9.28)
Total long term debt	\$ 7,478	\$ 8,243	(9.28)

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

- The Appraisal District predicts that we 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 almost doubled due to the increase in oil and gas for the 2012-2013 school year. The District continues to experience a slow enrollment growth as well as a result of the oil drilling economy. The District plans to 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. We do not want to construct buildings in response to the oil growth to have them become empty once the oil growth stops and the families move to another location.
- As the District starts its 2013-2014 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.

## **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 ASSETS**  
**AUGUST 31, 2012**

1

Data Control Codes		Governmental Activities
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 920,278
1120	Current Investments	8,636,493
1225	Property Taxes Receivable (Net)	574,449
1240	Due from Other Governments	1,349,977
1290	Other Receivables (Net)	845
1300	Inventories	51,352
1420	Capitalized Bond and Other Debt Issuance Costs	178,710
Capital Assets:		
1510	Land	470,609
1520	Buildings and Improvements, Net	17,709,195
1530	Furniture and Equipment, Net	1,010,599
1580	Construction in Progress	2,006,487
1000	Total Assets	<u>32,908,994</u>
<b>LIABILITIES:</b>		
2110	Accounts Payable	722,854
2165	Accrued Liabilities	882,034
2180	Due to Other Governments	179,403
2300	Unearned Revenue	39,285
Noncurrent Liabilities:		
2501	Due Within One Year	787,876
2502	Due in More Than One Year	6,690,190
2000	Total Liabilities	<u>9,301,642</u>
<b>NET ASSETS</b>		
3200	Invested in Capital Assets, Net of Related Debt	13,897,534
Restricted For:		
3850	Debt Service	367,002
3860	Capital Projects	120,542
3900	Unrestricted	9,222,274
3000	Total Net Assets	<u>\$ 23,607,352</u>

The accompanying notes are an integral part of this statement.

**GONZALES INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 13,684,560	\$ --		\$ 2,511,060	\$ (11,173,500)
12	Instructional Resources and Media Services	366,701	--		12,462	(354,239)
13	Curriculum and Staff Development	529,224	--		314,172	(215,052)
21	Instructional Leadership	211,604	--		9,119	(202,485)
23	School Leadership	1,361,009	7,051		69,652	(1,284,306)
31	Guidance, Counseling, & Evaluation Services	775,873	--		128,449	(647,424)
32	Social Work Services	25,820	--		1,111	(24,709)
33	Health Services	260,184	--		13,088	(247,096)
34	Student Transportation	919,766	--		122,418	(797,348)
35	Food Service	1,204,613	161,645		1,022,701	(20,267)
36	Cocurricular/Extracurricular Activities	809,138	60,152		22,310	(726,676)
41	General Administration	856,627	--		28,612	(828,015)
51	Plant Maintenance and Operations	2,289,058	--		52,362	(2,236,696)
52	Security and Monitoring Services	45,159	--		--	(45,159)
53	Data Processing Services	190,204	--		6,089	(184,115)
61	Community Services	68,877	--		49,855	(19,022)
72	Interest on Long-term Debt	155,328	--		193,143	37,815
73	Bond Issuance Costs and Fees	23,615	--		--	(23,615)
81	Capital Outlay	10,383	--		1,783	(8,600)
99	Other Intergovernmental Charges	294,829	--		--	(294,829)
TG	Total Governmental Activities	<u>24,082,572</u>	<u>228,848</u>		<u>4,558,386</u>	<u>(19,295,338)</u>
TP	Total Primary Government	<u>\$ 24,082,572</u>	<u>\$ 228,848</u>		<u>\$ 4,558,386</u>	<u>(19,295,338)</u>
	General Revenues:					
MT	Property Taxes, Levied for General Purposes					6,803,179
DT	Property Taxes, Levied for Debt Service					427,368
IE	Investment Earnings					32,471
GC	Grants and Contributions Not Restricted to Specific Programs					13,144,463
MI	Miscellaneous					178,954
TR	Total General Revenues					<u>20,586,435</u>
CN	Change in Net Assets					1,291,097
NB	Net Assets - Beginning					22,316,255
NE	Net Assets - Ending					<u>\$ 23,607,352</u>

The accompanying notes are an integral part of this statement.

**GONZALES INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2012

Data Control Codes	10			98	
	General Fund	IDEA-B Formula	Other Governmental Funds	Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 782,387	\$ --	\$ 137,891	\$ 920,278
1120	Current Investments	8,170,933	--	465,560	8,636,493
1225	Taxes Receivable, Net	574,449	--	--	574,449
1240	Due from Other Governments	659,719	337,455	352,803	1,349,977
1290	Other Receivables	845	--	--	845
1300	Inventories	51,352	--	--	51,352
1000	Total Assets	<u>\$ 10,239,685</u>	<u>\$ 337,455</u>	<u>\$ 956,254</u>	<u>\$ 11,533,394</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 140,203	\$ 312,474	\$ 270,177	\$ 722,854
2150	Payroll Deductions & Withholdings	256,943	--	--	256,943
2160	Accrued Wages Payable	565,642	24,981	34,468	625,091
2180	Due to Other Governments	177,076	--	2,327	179,403
2300	Deferred Revenue	593,773	--	19,960	613,733
2000	Total Liabilities	<u>1,733,637</u>	<u>337,455</u>	<u>326,932</u>	<u>2,398,024</u>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	51,352	--	--	51,352
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	113,969	113,969
3470	Capital Acquisitions & Contractual Obligations	364,361	--	--	364,361
3480	Retirement of Long-Term Debt	--	--	367,002	367,002
3490	Other Restrictions of Fund Balance	--	--	120,542	120,542
Committed Fund Balances:					
3510	Construction	1,831,847	--	--	1,831,847
3530	Capital Expenditures for Equipment	185,000	--	--	185,000
3600	Unassigned	6,073,488	--	--	6,073,488
Unassigned, Reported in Nonmajor:					
3610	Special Revenue Funds	--	--	27,809	27,809
3000	Total Fund Balances	<u>8,506,048</u>	<u>--</u>	<u>629,322</u>	<u>9,135,370</u>
4000	Total Liabilities and Fund Balances	<u>\$ 10,239,685</u>	<u>\$ 337,455</u>	<u>\$ 956,254</u>	<u>\$ 11,533,394</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 ASSETS  
AUGUST 31, 2012

Total fund balances - governmental funds balance sheet	\$ 9,135,370
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	21,196,889
Payables for bond principal which are not due in the current period are not reported in the funds.	(7,478,066)
Bond issuance cost are capitalized and amortized in governmental activities and are not reported in the funds.	178,710
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	<u>574,449</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 23,607,352</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, 2012**

Data Control Codes	10			98	
	General Fund	IDEA-B Formula	Other Governmental Funds	Total Governmental Funds	
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 7,021,216	\$ --	\$ 666,266	\$ 7,687,482
5800	State Program Revenues	13,544,312	--	696,123	14,240,435
5900	Federal Program Revenues	352,093	679,848	2,430,474	3,462,415
5020	Total Revenues	<u>20,917,621</u>	<u>679,848</u>	<u>3,792,863</u>	<u>25,390,332</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	11,390,950	500,436	1,512,931	13,404,317
0012	Instructional Resources and Media Services	355,541	--	--	355,541
0013	Curriculum and Staff Development	217,917	5,071	299,396	522,384
0021	Instructional Leadership	205,164	--	--	205,164
0023	School Leadership	1,310,049	--	9,839	1,319,888
0031	Guidance, Counseling, & Evaluation Services	652,765	82,850	19,768	755,383
0032	Social Work Services	25,034	--	--	25,034
0033	Health Services	252,266	--	--	252,266
0034	Student Transportation	878,258	91,491	2,853	972,602
0035	Food Service	--	--	1,159,500	1,159,500
0036	Cocurricular/Extracurricular Activities	692,954	--	52,409	745,363
0041	General Administration	830,557	--	--	830,557
0051	Plant Maintenance and Operations	2,188,276	--	26,500	2,214,776
0052	Security and Monitoring Services	43,785	--	--	43,785
0053	Data Processing Services	200,554	--	--	200,554
0061	Community Services	19,929	--	48,877	68,806
0071	Principal on Long-term Debt	315,040	--	450,000	765,040
0072	Interest on Long-term Debt	42,103	--	113,226	155,329
0073	Bond Issuance Costs and Fees	--	--	400	400
0081	Capital Outlay	618,767	--	1,873,396	2,492,163
0099	Other Intergovernmental Charges	294,829	--	--	294,829
6030	Total Expenditures	<u>20,534,738</u>	<u>679,848</u>	<u>5,569,095</u>	<u>26,783,681</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>382,883</u>	<u>--</u>	<u>(1,776,232)</u>	<u>(1,393,349)</u>
Other Financing Sources and (Uses):					
7915	Transfers In	186,124	--	--	186,124
7080	Total Other Financing Sources and (Uses)	<u>186,124</u>	<u>--</u>	<u>--</u>	<u>186,124</u>
1200	Net Change in Fund Balances	569,007	--	(1,776,232)	(1,207,225)
0100	Fund Balances - Beginning	7,937,041	--	2,405,554	10,342,595
3000	Fund Balances - Ending	<u>\$ 8,506,048</u>	<u>\$ --</u>	<u>\$ 629,322</u>	<u>\$ 9,135,370</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, 2012

Net change in fund balances - total governmental funds	\$ (1,207,225)
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	2,754,589
The depreciation of capital assets used in governmental activities is not reported in the funds.	(795,306)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(31,025)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	14,093
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	765,041
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(23,215)
The net revenue (expense) of internal service funds is reported with governmental activities.	<u>(185,855)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 1,291,097</u>

The accompanying notes are an integral part of this statement.

**GONZALES INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF NET ASSETS

INTERNAL SERVICE FUND

AUGUST 31, 2012

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	<b>ASSETS:</b>	
1000	Total Assets	\$ --
	<b>LIABILITIES:</b>	
2000	Total Liabilities	--
	<b>NET ASSETS:</b>	
3000	Total Net Assets	\$ --

The accompanying notes are an integral part of this statement.

**GONZALES INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET ASSETS - INTERNAL SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	<b>OPERATING REVENUES:</b>	
5700	Local and Intermediate Sources	\$ 103
5020	Total Revenues	<u>103</u>
	Operating Income (Loss)	<u>103</u>
	<b>NON-OPERATING REVENUES (EXPENSES):</b>	
7955	Earnings from Temp. Deposits and Investments	166
8030	Total Non-operating Revenues (Expenses)	<u>166</u>
	Income (Loss) before Contributions and Transfers	269
8911	Transfers Out	<u>(186,124)</u>
1300	Change in Net Assets	<u>(185,855)</u>
0100	Total Net Assets - Beginning	185,855
3300	Total Net Assets - Ending	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**GONZALES INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2012

	Nonmajor Internal Service Fund
	Insurance Fund
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Insurance Refunds	\$ 103
Net Cash Provided (Used) by Operating Activities	<u>103</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Transfers From (To) Primary Government	(186,124)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(186,124)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and Dividends on Investments	166
Net Cash Provided (Used) for Investing Activities	<u>166</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(185,855)
Cash and Cash Equivalents at Beginning of Year	185,855
Cash and Cash Equivalents at End of Year	<u>\$ --</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 103
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Total Adjustments	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 103</u>

The accompanying notes are an integral part of this statement.

**GONZALES INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

AUGUST 31, 2012

Data Control Codes	Private-purpose Trust Funds	Agency Funds  Student Activity
<b>ASSETS:</b>		
1110 Cash and Cash Equivalents	\$ 164,165	\$ --
1120 Current Investments	94,102	107,743
1000 Total Assets	<u>\$ 258,267</u>	<u>\$ 107,743</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2190 Due to Student Groups	\$ --	\$ 107,743
2000 Total Liabilities	<u>--</u>	<u>107,743</u>
<b>NET ASSETS</b>		
3800 Held in Trust	258,267	--
3000 Total Net Assets	<u>\$ 258,267</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**GONZALES INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2012

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ 2,075
Gifts and Bequest	32,817
Total Additions	<u>34,892</u>
<b>Deductions:</b>	
Scholarship Awards	<u>36,566</u>
Total Deductions	<u>36,566</u>
<b>Change in Net Assets</b>	(1,674)
Net Assets-Beginning of the Year	259,941
Net Assets-End of the Year	<u>\$ 258,267</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, 2012

### 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" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

**Government-wide Financial Statements:** The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. 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.

**IDEA-B Formula:** This fund accounts for all financial resources of the District under the IDEA-B Formula Program. This is a federal financial assistance award program. This Fund does not have a legally

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

adopted budget.

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 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.

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

Property taxes receivable at year end are as follows:

Gross property taxes receivable	\$ 1,146,879
Less: Allowance for uncollectible	(572,430)
Net property taxes receivable	<u>\$ 574,449</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. 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.

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

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

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

**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.

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

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

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions:**

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

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

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

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

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

**C. Deposits and Investments**

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

**1. Cash Deposits:**

At August 31, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$840,923 and the bank balance was \$1,965,081. The District's cash deposits at August 31, 2012 and during the year ended August 31, 2012, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The above carrying and bank balances do not take into account those accounts that had negative (overdraft) balance and were classified as payables in the financial statements at year end. At year end, there was \$592,477 bank overdraft balances classified as payables.

**2. Investments:**

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

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment

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

practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

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

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

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Texpool	N/A	\$ 3,504,515
MBIA-Colotrust Money Market	N/A	1,111,152
Lone Star Investment Pool		
Corporate Overnight Plus	N/A	3,520,007
Total Investments		<u>\$ 8,135,674</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2012, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Rating Service</u>
Texpool	AAAm	Standard & Poors
MBIA-Colotrust Money Market	AAA	Moody's, 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.

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.

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<u>Governmental activities:</u>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 470,609	\$ --	\$ --	\$ --	\$ 470,609
Construction in progress	7,032,490	2,374,343	--	(7,400,346)	2,006,487
Total capital assets not being depreciated	7,503,099	2,374,343	--	(7,400,346)	2,477,096

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

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<u>Governmental activities: (continued)</u>					
Buildings and improvements	25,818,480	109,447	310,251	7,400,346	33,018,022
Equipment	3,060,932	270,799	--	--	3,331,731
Total capital assets being depreciated	28,879,412	380,246	310,251	7,400,346	36,349,753
Less accumulated depreciation for:					
Buildings and improvements	(15,017,349)	(570,704)	(279,226)	--	(15,308,827)
Equipment	(2,096,530)	(224,602)	--	--	(2,321,132)
Total accumulated depreciation	(17,113,879)	(795,306)	(279,226)	--	(17,629,959)
Total capital assets being depreciated, net	11,765,533	(415,060)	31,025	7,400,346	18,719,794
Governmental activities capital assets, net	\$ 19,268,632	\$ 1,959,283	\$ 31,025	\$ --	\$ 21,196,890

Depreciation was charged to functions as follows:

Instruction	\$ 355,100
Instructional Resources and Media Services	11,160
Curriculum and Staff Development	6,840
Instructional Leadership	6,440
School Leadership	41,121
Guidance, Counseling, & Evaluation Services	20,490
Social Work Services	786
Health Services	7,918
Student Transportation	127,249
Food Services	45,113
Extracurricular Activities	63,775
General Administration	26,070
Plant Maintenance and Operations	74,282
Security and Monitoring Services	1,374
Data Processing Services	5,508
Community Services	71
Facilities Acquisition and Construction	2,009
	<u>\$ 795,306</u>

**E. Interfund Balances and Activities**

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
None			

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
Internal Service Fund	General fund	\$ 186,124	Close out internal service fund
	Total	\$ 186,124	

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

**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, 2012, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 8,243,107	\$ --	\$ 765,041	\$ 7,478,066	\$ 787,876
Total governmental activities	\$ 8,243,107	\$ --	\$ 765,041	\$ 7,478,066	\$ 787,876
	Interest Rates	Beginning Balance	Increases	Decreases	Ending Balance
<b>General obligation bond activities:</b>					
Unlimited Tax Refunding Series 2005 CIB	3.39 %	\$ 3,565,000	\$ --	\$ 450,000	3,115,000
Maintenance Tax Notes Series 2009 QSCB	1.0%	4,678,107	--	315,041	4,363,066
Total business-type activities		\$ 8,243,107	\$ --	\$ 765,041	\$ 7,478,066

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 787,876	\$ 136,900	\$ 924,776
2014	810,736	117,767	928,503
2015	833,623	97,930	931,553
2016	851,536	77,474	929,010
2017	879,475	56,314	935,789
2018-2022	2,262,390	105,988	2,368,378
2023-2027	1,052,430	1,900	1,054,330
Totals	\$ 7,478,066	\$ 594,273	\$ 8,072,339

**G. Risk Management**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**H. Pension Plan**

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to

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

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

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2012, 2011 and 2010, and a state contribution rate of 6.0% for fiscal year 2012 and 6.644 for fiscal years 2011 and 2010. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2012, 2011 and 2010 were \$829,985, \$900,371 and \$848,584, respectively. The District paid additional state contributions for the years ending August 31, 2012, 2011 and 2010 in the amount of \$96,901, \$183,694 and \$215,637, 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](http://www.trs.state.tx.us) under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

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 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2011 and 2010. For the years ended August 31, 2012, 2011, and 2010, the State's contributions to TRS-Care were \$144,612, \$144,061, and \$143,590, respectively, the active member contributions were \$93,997, \$93,639, and \$93,337, respectively, and the District's contributions were \$79,537, \$79,233, and \$78,975, respectively, which equaled the required

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

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, 2012, 2011, and 2010, the subsidy payments received by TRS-Care on behalf of the District were \$37,458, \$36,015, and \$35,091, respectively.

3. Early Retiree Reinsurance Program (ERRP)

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

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. For the fiscal year ended August 31, 2012, the amount received by TRS-Care on behalf of the District was \$35,423.

J. Employee Health Care Coverage

During the year ended August 31, 2012, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 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 ended August 31, 2012, 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, 2012.

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## Required Supplementary Information

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

**GONZALES INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

Page 1 of 2

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original		Final				
<b>REVENUES:</b>							
5700	Local and Intermediate Sources		\$ 6,497,754	\$ 6,578,850	\$ 7,021,215	\$ 442,365	
5800	State Program Revenues		13,474,535	13,475,304	13,544,312	69,008	
5900	Federal Program Revenues		175,000	175,000	352,093	177,093	
5020	Total Revenues		<u>20,147,289</u>	<u>20,229,154</u>	<u>20,917,620</u>	<u>688,466</u>	
<b>EXPENDITURES:</b>							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction		11,501,081	11,783,574	11,390,950	392,624	
0012	Instructional Resources and Media Services		333,868	370,697	355,541	15,156	
0013	Curriculum and Staff Development		236,862	242,862	217,917	24,945	
	Total Instruction & Instr. Related Services		<u>12,071,811</u>	<u>12,397,132</u>	<u>11,964,408</u>	<u>432,724</u>	
Instructional and School Leadership:							
0021	Instructional Leadership		238,939	230,737	205,164	25,573	
0023	School Leadership		1,303,764	1,329,588	1,310,049	19,539	
	Total Instructional & School Leadership		<u>1,542,703</u>	<u>1,560,325</u>	<u>1,515,213</u>	<u>45,112</u>	
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services		630,165	662,568	652,765	9,803	
0032	Social Work Services		27,766	27,484	25,034	2,450	
0033	Health Services		257,705	257,205	252,266	4,939	
0034	Student (Pupil) Transportation		905,780	983,690	878,258	105,432	
0036	Cocurricular/Extracurricular Activities		729,790	748,582	692,954	55,628	
	Total Support Services - Student (Pupil)		<u>2,551,206</u>	<u>2,679,529</u>	<u>2,501,277</u>	<u>178,252</u>	
Administrative Support Services:							
0041	General Administration		904,440	895,861	830,557	65,304	
	Total Administrative Support Services		<u>904,440</u>	<u>895,861</u>	<u>830,557</u>	<u>65,304</u>	
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations		2,274,462	2,414,640	2,188,276	226,364	
0052	Security and Monitoring Services		47,500	47,940	43,785	4,155	
0053	Data Processing Services		119,812	207,940	200,554	7,386	
	Total Support Services - Nonstudent Based		<u>2,441,774</u>	<u>2,670,520</u>	<u>2,432,615</u>	<u>237,905</u>	
Ancillary Services:							
0061	Community Services		21,170	20,970	19,929	1,041	
	Total Ancillary Services		<u>21,170</u>	<u>20,970</u>	<u>19,929</u>	<u>1,041</u>	
Debt Service:							
0071	Principal on Long-Term Debt		--	315,040	315,040	--	
0072	Interest on Long-Term Debt		--	42,103	42,103	--	
0073	Bond Issuance Costs and Fees		--	53	--	53	
	Total Debt Service		<u>--</u>	<u>357,197</u>	<u>357,143</u>	<u>54</u>	
Capital Outlay:							
0081	Capital Outlay		33,385	1,567,968	618,767	949,201	
	Total Capital Outlay		<u>33,385</u>	<u>1,567,968</u>	<u>618,767</u>	<u>949,201</u>	

**GONZALES INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
0099	<i>Other Intergovernmental Charges</i>	<u>311,000</u>	<u>299,626</u>	<u>294,829</u>	<u>4,797</u>
	Total Intergovernmental Charges	<u>311,000</u>	<u>299,626</u>	<u>294,829</u>	<u>4,797</u>
6030	Total Expenditures	<u>19,877,489</u>	<u>22,449,129</u>	<u>20,534,738</u>	<u>1,914,391</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>269,800</u>	<u>(2,219,975)</u>	<u>382,882</u>	<u>2,602,857</u>
	Other Financing Sources (Uses):				
7915	<i>Transfers In</i>	<u>--</u>	<u>--</u>	<u>186,124</u>	<u>186,124</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>186,124</u>	<u>186,124</u>
1200	Net Change in Fund Balance	<u>269,800</u>	<u>(2,219,975)</u>	<u>569,006</u>	<u>2,788,981</u>
0100	Fund Balance - Beginning	<u>7,937,042</u>	<u>7,937,042</u>	<u>7,937,042</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 8,206,842</u>	<u>\$ 5,717,067</u>	<u>\$ 8,506,048</u>	<u>\$ 2,788,981</u>

**GONZALES INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*FOR THE YEAR ENDED AUGUST 31, 2012*

- 1 The District has one major special fund, IDEA-B, Formula. This Fund does not have a legally adopted budget, and as such, no budgetary comparison schedule is reported in the Required Supplementary Information for this Fund.

## 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, 2012

Year Ended August 31	1		2		3
	Tax Rates				Assessed/Appraised Value For School Tax Purposes
	Maintenance		Debt Service		
2003 and Prior Years	\$	Various	\$	Various	\$ Various
2004		1.3429		.0671	335,711,380
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 (School Year Under Audit)		1.04		.0655	647,771,958

1000 Totals

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

10 Beginning Balance 9/1/11	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/12
\$ 210,423	\$ --	\$ 9,974	\$ 575	\$ (18,973)	\$ 180,901
44,518	--	2,872	144	(4,464)	37,038
56,008	--	3,080	148	(5,400)	47,380
78,143	--	5,344	260	(8,558)	63,981
90,962	--	6,618	342	(7,161)	76,841
79,582	--	7,807	590	(4,582)	66,603
119,872	--	17,835	1,142	(3,310)	97,585
183,739	--	29,979	2,021	(3,898)	147,841
254,562	--	75,085	4,803	(2,228)	172,446
--	7,161,119	6,504,768	410,392	10,304	256,263
<u>\$ 1,117,809</u>	<u>\$ 7,161,119</u>	<u>\$ 6,663,362</u>	<u>\$ 420,417</u>	<u>\$ (48,270)</u>	<u>\$ 1,146,879</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**GONZALES INDEPENDENT SCHOOL DISTRICT**

EXHIBIT J-2

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

**FUNCTION 41 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	\$ --	\$ --	\$ 178,307	\$ 437,095	\$ --	\$ --	\$ 615,402
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	10,256	--	40,000	--	--	--	50,256
6212	Audit Services	--	--	--	12,000	--	--	12,000
6213	Tax Appraisal and Collection	--	366,999	--	--	--	--	366,999
621X	Other Prof. Services	--	--	--	7,840	--	--	7,840
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	1,500	--	--	1,500
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	--	8,887	8,367	--	17,254
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	221	--	8,943	26,728	6,948	--	42,840
6410	Travel, Subsistence, Stipends	8,902	--	3,548	9,269	--	--	21,719
6420	Ins. and Bonding Costs	--	--	--	284	--	--	284
6430	Election Costs	5,922	--	--	--	--	--	5,922
6490	Miscellaneous Operating	6,911	--	22,771	6,180	--	--	35,862
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 32,212 \$ 366,999 \$ 253,569 \$ 509,783 \$ 15,315 \$ -- \$ 1,177,878

Total Expenditures for General and Special Revenue Funds (9) \$ 24,346,659

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 855,636
Total Debt & Lease (6500)	(11)	\$ 357,143
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 2,214,776
Food (Function 35, 6341 and 6499)	(13)	\$ 341
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 509,783

Subtotal 3,937,679

Net Allowed Direct Cost \$ 20,408,980

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 33,018,021
Historical Cost of Buildings over 50 years old	(16)	7,839,235
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	3,331,732
Historical Cost of Furniture & Equipment over 16 years old	(19)	477,840
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 90,995

(8) Note A - \$52,492 in Function 53 expenditures and \$294,829 in Function 99 expenditures are included in this report on administrative costs.

**GONZALES INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)**  
**GENERAL FUND**  
**AS OF AUGUST 31, 2012**

EXHIBIT J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2012 (Exhibit C-1 object 3000 for the General Fund only)	\$ 8,506,048
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	51,352
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	364,361
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	2,016,847
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	4,563,275
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)	6,995,835
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 1,510,213

If Item 11 is a Positive Number

The District has historically tried to maintain an unassigned fund balance equal to three months of operating expenditures. The amount on "line 7" above plus the unassigned amount on "line 13" equals \$6,073,488, which is approximately 2.67 months worth of operating expenditures.

**GONZALES INDEPENDENT SCHOOL DISTRICT**

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 188,301	\$ 188,301	\$ 166,289	\$ (22,012)
5800	State Program Revenues	7,000	7,000	6,761	(239)
5900	Federal Program Revenues	1,124,000	1,124,000	1,006,264	(117,736)
5020	Total Revenues	<u>1,319,301</u>	<u>1,319,301</u>	<u>1,179,314</u>	<u>(139,987)</u>
<b>EXPENDITURES:</b>					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	1,294,301	1,294,301	1,148,424	145,877
	Total Support Services - Student (Pupil)	<u>1,294,301</u>	<u>1,294,301</u>	<u>1,148,424</u>	<u>145,877</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	25,000	25,000	25,000	--
	Total Support Services - Nonstudent Based	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>--</u>
6030	Total Expenditures	<u>1,319,301</u>	<u>1,319,301</u>	<u>1,173,424</u>	<u>145,877</u>
1200	Net Change in Fund Balance	--	--	5,890	5,890
0100	Fund Balance - Beginning	107,040	107,040	107,040	--
3000	Fund Balance - Ending	<u>\$ 107,040</u>	<u>\$ 107,040</u>	<u>\$ 112,930</u>	<u>\$ 5,891</u>

**GONZALES INDEPENDENT SCHOOL DISTRICT**

EXHIBIT J-5

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original		Final				
<b>REVENUES:</b>							
5700	Local and Intermediate Sources	\$ 418,142	\$ 418,142	\$ 428,414	\$ 10,272		
5800	State Program Revenues	146,084	146,084	214,876	68,792		
5020	Total Revenues	<u>564,226</u>	<u>564,226</u>	<u>643,290</u>	<u>79,064</u>		
<b>EXPENDITURES:</b>							
Debt Service:							
0071	Principal on Long-Term Debt	450,000	450,000	450,000	--		
0072	Interest on Long-Term Debt	113,226	113,226	113,226	--		
0073	Bond Issuance Costs and Fees	1,000	1,000	400	600		
	Total Debt Service	<u>564,226</u>	<u>564,226</u>	<u>563,626</u>	<u>600</u>		
6030	Total Expenditures	<u>564,226</u>	<u>564,226</u>	<u>563,626</u>	<u>600</u>		
1200	Net Change in Fund Balance	--	--	79,664	79,664		
0100	Fund Balance - Beginning	287,338	287,338	287,338	--		
3000	Fund Balance - Ending	<u>\$ 287,338</u>	<u>\$ 287,338</u>	<u>\$ 367,002</u>	<u>\$ 79,664</u>		

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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**

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 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, 2012, which collectively comprise the Gonzales Independent School District's basic financial statements and have issued our report thereon dated January 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Gonzales Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Gonzales Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gonzales Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Gonzales Independent School District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the entity, the Board

of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Floyd & Gindler, PC*

Floyd & Gindler, PC

January 11, 2013

**Independent Auditor's Report**

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

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

Members of the Board of Trustees:

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Gonzales Independent School District's management. Our responsibility is to express an opinion on Gonzales Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of Gonzales Independent School District's compliance with those requirements.

In our opinion, Gonzales Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

Management of Gonzales Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Gonzales Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

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

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Floyd & Gindler, PC".

Floyd & Gindler, PC

January 11, 2013

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

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?  Yes  No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.367a	Title II, Part A-Teacher & Principal Training and Recruiting
84.410	Education Jobs Fund
10.553, 10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?  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, 2012**

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

**GONZALES INDEPENDENT SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED AUGUST 31, 2012**

**None**

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

**EXHIBIT K-1**  
**Page 1 of 2**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010a	12610101089901	\$ 606,221
ESEA Title I Part A - Improving Basic Programs *	84.010a	13610101089901	18,761
Total CFDA Number 84.010a			<u>624,982</u>
IDEA-B Formula *	84.027	126600010899016000	654,867
IDEA-B Formula *	84.027	136600010899016600	24,981
Total CFDA Number 84.027			<u>679,848</u>
Career and Technical - Basic Grant	84.048	12420006089901	31,602
Career and Technical - Basic Grant	84.048	13420006089901	2,865
Total CFDA Number 84.048			<u>34,467</u>
IDEA-B Preschool *	84.173	126610010899016000	18,399
IDEA-B Preschool *	84.173	136610010899016610	1,323
Total CFDA Number 84.173			<u>19,722</u>
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	12696001089901	63,944
Title III Part A English Language Acquisition and Language Enhancer	84.365	12671001089901	44,437
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	12694501089901	169,296
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	13694501089901	4,310
Total CFDA Number 84.367a			<u>173,606</u>
Summer School LEP	84.369A	69551102	3,169
ARRA - Title II Part D Subpart 1-Enhancing Education Through Technol	84.386	10553001089901	19
ARRA - IDEA-Part B Formula *	84.391	10554001089901	19,396
ARRA - IDEA Part B, Preschool *	84.392	10555001089901	80
Education Jobs Fund	84.410	11550101089901	429,211
Total Passed Through State Department of Education			<u>2,092,881</u>
Total U. S. Department of Education			<u>2,092,881</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	089-901	338,719
National School Lunch Program *	10.555	089-901	615,658
Summer Food Service Program *	10.559	089-901	11,176
Commodity Supplemental Food Program (Non-cash)	10.565	089-901	51,888
Total Passed Through State Department of Education			<u>1,017,441</u>
Total U. S. Department of Agriculture			<u>1,017,441</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,110,322</u>

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

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

EXHIBIT K-1  
Page 2 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures

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, 2012*

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, 2012

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