

**GEORGETOWN INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
June 30, 2012**



GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended June 30, 2012
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CERTIFICATE OF BOARD

Georgetown Independent School District Williamson 246904
Name of School District County 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 June 30, 2012 at a meeting of the Board of Trustees of such school district on the 15 day of October, 2012.


Signature of Board Secretary


Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are): (Attach list as necessary.)

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Georgetown Independent School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Georgetown Independent School District (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund 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 October 11, 2012 on our consideration of the 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 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 District's financial statements. The combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

maxwell toche + pitter LLP

October 11, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Georgetown Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2012. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net assets at June 30, 2012 were approximately \$53.5 million.
- The fund balance for the General Fund at June 30, 2012 was approximately \$11.3 million, an increase of approximately \$1.7 million from the prior year. The increase was primarily due to a decrease in instruction expenditures related to budget cuts by the District.
- During 2012, the District issued \$17.125 million in Unlimited Tax Refunding Bonds to refund a portion of the District's Series 2006 Unlimited Tax School Building Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three parts: 1.) government-wide financial statements 2.) fund financial statements and 3.) notes to the financial statements. This report also contains required supplementary information and other financial information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to that of a private sector business.

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as uncollected property tax and earned but unused sick leave.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes, intergovernmental revenues, and user fees and charges (governmental activities). The governmental activities of the District include the education of District students and the programs necessary to support such education.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds balance sheet provides a reconciliation to facilitate the comparison between total fund balances and net assets of governmental activities. There is a reconciliation of statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities on page 17.

The District maintains numerous governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Projects Fund as they are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with this budget. Supplementary budgetary comparison schedules have also been prepared for the Food Service and Debt Service Funds and are included in the Combining and Individual Fund Statements and Schedules section of this report.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for certain funds. 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 operations.

Notes to the Basic Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the Notes to the Basic Financial Statements. In addition, certain information required by the Texas Education Agency and the federal government regarding tax collection, food service, grant expenditures, and indirect cost calculation is also presented.

Government-wide Financial Analysis

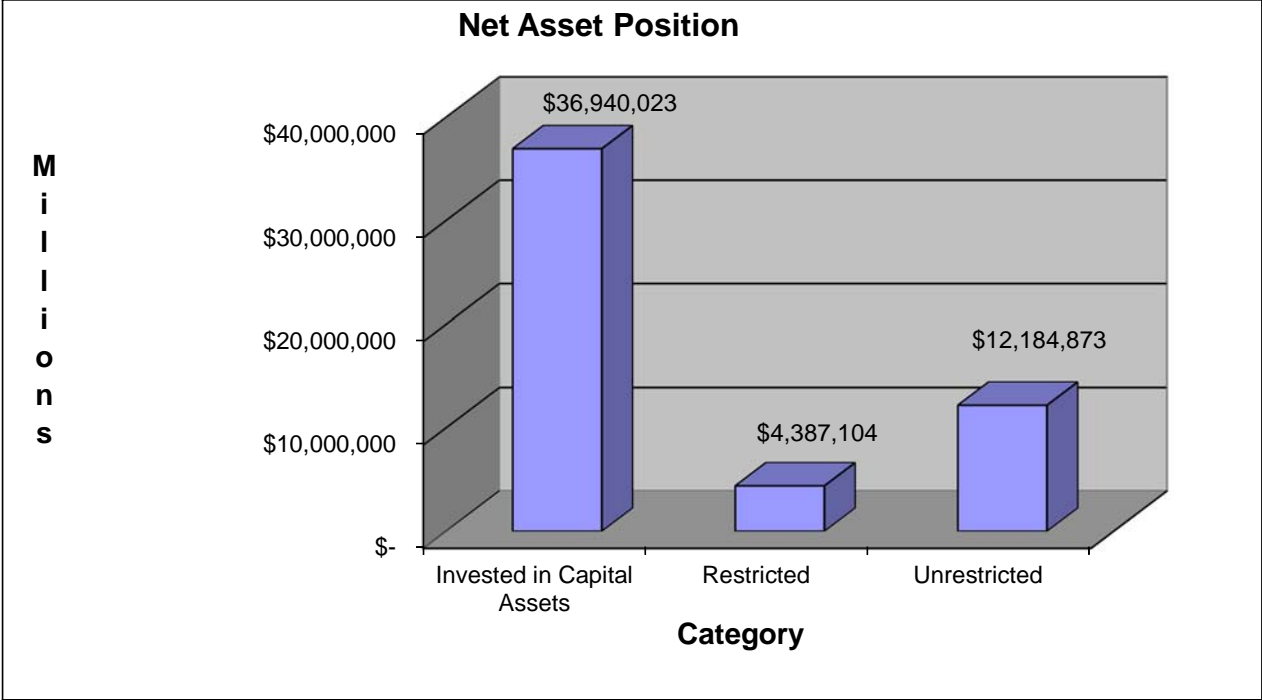
Net assets may serve over time as a useful indicator of the District's financial position. For the year ended June 30, 2012, net assets were \$53,512,000, an increase of \$5,116,534 as compared to net assets for the year ended June 30, 2011.

Net assets for the year ended June 30, 2012 as compared to the year ended June 30, 2011 can be presented as follows:

Georgetown Independent School District's Net Assets

	Governmental Activities as of	
	June 30, 2011	June 30, 2012
Current assets:		
Cash and temporary investments	\$ 108,965,893	\$ 62,251,133
Property taxes, net	2,220,683	2,201,411
Due from other governments	5,817,474	4,395,029
Due from fiduciary funds	275	157,076
Other receivables and inventory	468,433	521,769
Deferred expenses	146,293	665,262
Total current assets	117,619,051	70,191,680
Non-current assets:		
Deferred charge - bond issuance costs	1,754,465	1,835,890
Capital assets, net of accumulated depreciation	167,666,380	221,160,241
Total non-current assets	169,420,845	222,996,131
Total assets	\$ 287,039,986	\$ 293,187,811
Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,735,234	\$ 18,335,633
Bonds payable	7,660,000	6,390,000
Bond interest payable	3,696,285	3,667,398
Deferred revenue	571,533	2,235,926
Accretion payable	-	284,467
Due to other governments	101,282	2,064
Total current liabilities	25,764,334	30,915,488
Long-term liabilities:		
Bonds payable	212,599,881	208,459,758
Accretion payable	280,215	300,565
Total long-term liabilities	212,880,096	208,760,323
Total liabilities	\$ 238,644,430	\$ 239,675,811
Net assets:		
Invested in capital assets, net of related debt	\$ 36,138,658	\$ 36,940,023
Restricted	1,512,051	4,387,104
Unrestricted	10,744,757	12,184,873
Total net assets	\$ 48,395,466	\$ 53,512,000

The District has unrestricted net assets of \$12,184,873 as of June 30, 2012. For the year ended June 30, 2012, restricted net assets increased by \$2,875,053 and unrestricted net assets increased by \$1,440,116. Overall cash and investments decreased from the previous year resulting from the use of proceeds received from bond issuances in the prior year for construction projects within the District.



Net assets may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or federal grant requirements. Restricted net assets are available for use in the designated areas only. Unrestricted net assets may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees.

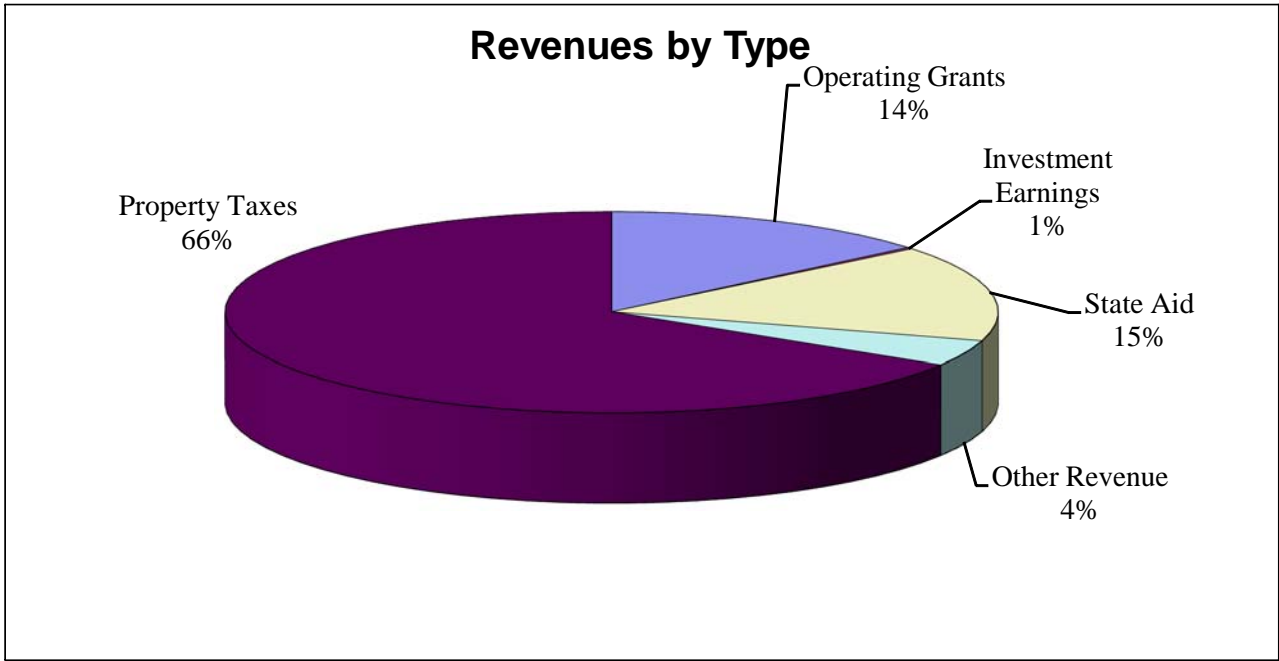
Governmental Activities

Governmental activities increased the District's net assets by \$5,116,534 during the year ended June 30, 2012. Key elements of this decrease are as follows:

Georgetown Independent School District's Changes in Net Assets

	Governmental Activities as of	
	June 30, 2011	June 30, 2012
Revenues:		
Program Revenues:		
Charges for services	\$ 3,956,415	\$ 3,998,165
Operating grants and contributions	16,363,025	15,467,248
General Revenues:		
Property taxes	69,252,734	73,573,041
State aid - formula grants	20,577,705	17,226,476
Investment earnings	124,237	289,810
Miscellaneous	678,432	634,025
Total Revenues	<u>110,952,548</u>	<u>111,188,765</u>
Expenses:		
Instruction and instructional resources	62,316,688	56,568,556
Curriculum, instructional and school leadership	9,260,091	8,439,760
Student support services	9,220,758	7,964,977
Food services	5,474,418	5,157,547
Extracurricular activities	2,629,505	2,799,733
General administration	3,117,250	2,464,314
Support services	11,384,191	10,994,503
Community services	1,652,662	1,358,299
Interest on long-term debt	7,250,113	9,457,336
Facilities acquisition and construction	35,016	8,104
Other	854,080	859,102
Total Expenses	<u>113,194,772</u>	<u>106,072,231</u>
Change in Net Assets	(2,242,224)	5,116,534
Net Assets Beginning, as restated	<u>50,637,690</u>	<u>48,395,466</u>
Net Assets Ending	<u>\$ 48,395,466</u>	<u>\$ 53,512,000</u>

Property taxes revenues increased from the prior year primarily due to an increase in tax rates for the 2011 tax year. Overall property taxes account for 66% of the District's revenue sources while State funding represents 15%. Operating grants account for 14% of revenue sources.



House Bill 1, which passed during the final special legislative session in 2005, changed the way school districts receive revenue from both state and local sources. Property tax rates were “bought down” for two years and replaced with a combination of business franchise taxes and an increase in the tobacco tax. Districts that had reached the \$1.50 M&O tax rate cap, were compressed to \$1.33 in 2006 and \$1.00 in 2007. Local school boards retained the option of adding up to four cents to the local compressed rate without approval, and the District’s Board has exercised that option.

With the compression of local tax rates, the State now funds a much higher percentage of public school revenue than in the previous years. However, the new funding formula now caps the amount of money a district can receive in combined state/local revenue per WADA (Weighted Average Daily Attendance). This “hold harmless” provision was set using a greater of amount between 2005 and 2006 funding under the old law and the set amount per WADA will remain in effect until changed by the legislature at a later session. The only way a school district can now increase its operating revenue is by adding students. Increases in local property values and collections are now negated by the funding formula.

The State has mandated that a district’s property value per WADA is limited to \$319,500. When values exceed this amount a district must share its wealth with the State to equalize access to revenue.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$48,247,451. Of this amount \$9,974,730 constitutes unassigned fund balance available for use in the General Fund activities at the District’s discretion, and an additional \$677,762 in General Fund fund balance is nonspendable due to being in the form of deferred expenditures and inventory. The remainder of the fund balance is restricted, committed or assigned to indicate that it is not available for new spending because it has already been designated for other obligations of the District.

The District complies with Government Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual General Fund operating expenses. As a measure of the General Fund's liquidity, unassigned fund balance represents 13% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$7,526,390, all of which is restricted for payment of debt service.

The Capital Projects Fund had a total fund balance of \$28,793,650, which represents funds remaining from the 2011 bond sale. These funds are restricted for the construction and renovation of school buildings and purchase of equipment. In January 2011, the District issued \$88.3 million from the remaining \$135.5 million bond approved by voters in November 2010, leaving \$47.2 million unissued.

Budgetary Highlights

Differences between the original General Fund operating budget and the final amended budget or actual amounts can be briefly summarized as follows:

- Expenditures were lower than final budgeted amounts due to instructional payroll costs, utility costs, and transportation fuel and supplies costs being lower than expected.
- Revenues were higher than original budgeted amounts due to higher than expected tax collections and related fees, and higher than final budgeted amounts due to an increase in Medicaid reimbursements.

Capital Assets and Debt Administration: Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$221,160,241 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, construction in progress, and furniture and equipment.

Georgetown Independent School District Capital Assets (Net of accumulated depreciation)

Land	\$	11,396,578
Construction in progress		60,662,142
Buildings and improvements		146,050,545
Furniture and equipment		<u>3,050,976</u>
Total	\$	<u>221,160,241</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$209,300,000. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings of AAA and Aaa, respectively, to the District's outstanding debt obligations.

Additional information on the District's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The District is located in the City of Georgetown, Texas, which has been ranked as one of the best small towns in America. The District is a diversified agricultural and manufacturing area located in central Williamson County, approximately 25 miles north of Austin, covering an area of approximately 180 square miles. The City of Georgetown has an estimated population in August 2012 of 49,893 and is one of the fastest growing communities in Central Texas. Georgetown is also home to Southwestern University, one of the most prestigious liberal arts colleges in the Southwest.

The District's elected officials considered many factors when setting the fiscal year 2011-12 budget and tax rates. One of the significant factors was the reduction in state aid to the District in the amount of \$4.8 million. Another factor included the one time infusion of \$1.65 million in federal funds from the Education Jobs Fund program to support teacher salaries.

The District's voters passed a \$137.3 million bond issue on November 2, 2010 that provides for new educational facilities, renovations to existing facilities, technology and security upgrades, and the acquisition of additional school sites. This impacted the District's tax rate beginning with the 2011-12 school year. The construction projects included in Proposition 1 are expected to be completed August 2013.

The District invested funds in daily liquidity local government investment pools, commercial paper, municipal bonds, and governmental agency securities. The priority of the District in this interest rate environment and volatile market was safety of principal and liquidity.

For budget purposes, the District estimated no growth in student enrollment for 2011-12, and no change in property values. However, the actual student enrollment decreased by 0.5% and property values increased by 2%. The 2011-12 tax rate was \$1.358 (\$1.04 for maintenance and operations and \$0.318 for debt service). This included an increase of \$0.068 for debt service due to the issuance of \$90.1 million in bonds. District staff did not receive a pay increase for 2011-12, and the employer insurance contribution remained the same as 2010-11 of \$3,828 per year for all employees participating in the health insurance program. The District eliminated 142 positions and reduced non-payroll costs by \$500,000. The District is considered a Chapter 41 district, but did not pay State recapture in 2011-12.

The District is aware of further state cuts in funding in the amount of \$2.4 million in the 2012-13 school year and the elimination of \$1.65 million in federal aid, and is taking steps to reduce payroll and operating costs for that fiscal year. The 2012-13 budget includes a reduction of 70 positions, no salary increases and no increase to employer insurance contributions.

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 Office.

BASIC FINANCIAL STATEMENTS

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities
ASSETS:	
Current assets:	
Cash and temporary investments	\$ 62,251,133
Receivables:	
Property taxes - delinquent	2,246,338
Allowance for uncollectible taxes	(44,927)
Due from other governments	4,395,029
Other	192,559
Due from fiduciary funds	157,076
Accrued interest	49,693
Inventory	279,517
Deferred expenses	665,262
Noncurrent assets:	
Deferred charge - bond issuance costs	1,835,890
Capital assets (net of accumulated depreciation):	
Land	11,396,578
Construction in progress	60,662,142
Buildings and improvements	146,050,545
Furniture and equipment	3,050,976
Total assets	<u><u>\$ 293,187,811</u></u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 10,326,888
Payroll deductions and withholdings payable	7,957
Accrued wages payable	8,000,788
Bond interest payable	3,667,398
Bonds payable	6,390,000
Accretion payable	284,467
Due to other governments	2,064
Deferred revenue	2,235,926
Noncurrent liabilities:	
Bonds payable	208,459,758
Accretion payable	300,565
Total liabilities	<u><u>239,675,811</u></u>
NET ASSETS:	
Invested in capital assets, net of related debt	36,940,023
Restricted for:	
Debt service	4,132,740
Food service	254,364
Unrestricted	12,184,873
Total net assets	<u><u>\$ 53,512,000</u></u>

The notes to the financial statements are an integral part of this statement.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction	\$ 55,419,253	1,863,504	9,436,104	(44,119,645)
Instructional resources and media services	1,149,303	-	45,257	(1,104,046)
Curriculum and staff development	781,643	22,166	439,863	(319,614)
Instructional leadership	1,710,844	-	262,358	(1,448,486)
School leadership	5,947,273	-	486,972	(5,460,301)
Guidance, counseling, and evaluation services	3,003,377	-	468,962	(2,534,415)
Social work services	224,986	-	101,715	(123,271)
Health services	1,135,470	-	103,340	(1,032,130)
Student transportation	3,601,144	-	327,835	(3,273,309)
Food services	5,157,547	1,697,409	3,165,940	(294,198)
Extracurricular activities	2,799,733	344,640	75,264	(2,379,829)
General administration	2,464,314	70,446	94,341	(2,299,527)
Facilities maintenance and operations	9,576,266	-	269,208	(9,307,058)
Security and monitoring services	174,221	-	-	(174,221)
Data processing services	1,244,016	-	63,052	(1,180,964)
Community services	1,358,299	-	127,037	(1,231,262)
Debt service	9,457,336	-	-	(9,457,336)
Facilities acquisition and construction	8,104	-	-	(8,104)
Payments to juvenile justice alternative education programs	269,636	-	-	(269,636)
Other intergovernmental charges	589,466	-	-	(589,466)
Total governmental activities	\$ 106,072,231	3,998,165	15,467,248	(86,606,818)
General revenues:				
Property taxes				\$ 73,573,041
State aid-formula grants				17,226,476
Investment earnings				289,810
Miscellaneous				634,025
Total general revenues				91,723,352
Change in net assets				5,116,534
Net assets - beginning				48,395,466
Net assets - ending				\$ 53,512,000

The notes to the financial statements are an integral part of this statement.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2012**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and temporary investments	\$ 15,222,894	7,323,748	38,254,163	1,450,328	62,251,133
Receivables:					
Property taxes - delinquent	1,769,041	477,297	-	-	2,246,338
Allowance for uncollectible taxes	(35,381)	(9,546)	-	-	(44,927)
Due from other governments	3,282,640	-	-	1,112,389	4,395,029
Due from other funds	965,356	8,639	-	-	973,995
Other	50,476	-	-	142,083	192,559
Accrued interest	-	-	49,693	-	49,693
Inventory	12,500	-	-	267,017	279,517
Deferred expenditures	665,262	-	-	-	665,262
Total assets	<u>\$ 21,932,788</u>	<u>7,800,138</u>	<u>38,303,856</u>	<u>2,971,817</u>	<u>71,008,599</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 760,279	-	9,505,728	60,881	10,326,888
Payroll deductions and withholdings payable	7,957	-	-	-	7,957
Accrued wages payable	7,249,030	-	-	751,758	8,000,788
Due to other funds	8,639	-	-	808,280	816,919
Due to other governments	-	-	-	2,064	2,064
Deferred revenue	2,600,717	273,748	4,478	727,589	3,606,532
Total liabilities	<u>10,626,622</u>	<u>273,748</u>	<u>9,510,206</u>	<u>2,350,572</u>	<u>22,761,148</u>
Fund balances:					
Nonspendable:					
Inventory	12,500	-	-	-	12,500
Deferred expenditures	665,262	-	-	-	665,262
Restricted for:					
Debt service	-	7,526,390	-	-	7,526,390
Authorized construction	-	-	28,793,650	-	28,793,650
Food service	-	-	-	254,364	254,364
Committed to-					
Campus activities	-	-	-	281,051	281,051
Assigned to:					
Local grants	-	-	-	17,200	17,200
SSA - JJAEP	-	-	-	68,630	68,630
Subsequent fiscal year's budget deficit	653,674	-	-	-	653,674
Unassigned	9,974,730	-	-	-	9,974,730
Total fund balances	<u>11,306,166</u>	<u>7,526,390</u>	<u>28,793,650</u>	<u>621,245</u>	<u>48,247,451</u>
Total liabilities and fund balances	<u>\$ 21,932,788</u>	<u>7,800,138</u>	<u>38,303,856</u>	<u>2,971,817</u>	

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 221,160,241
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,370,606
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and contractual obligations payable, including premiums	(216,979,777)
Less: Deferred charge for issuance costs	1,835,890
Less: Issuance discount	97,810
Less: Deferred charge on refunding	2,032,209
Interest payable	(3,667,398)
Accretion payable	(585,032)
Net assets of governmental activities	<u>\$ 53,512,000</u>

The notes to the financial statements are an integral part of this statement.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Local and intermediate sources	\$ 58,623,233	17,214,996	451,442	3,348,145	79,637,816
State program revenues	21,076,797	-	-	963,428	22,040,225
Federal program revenues	1,158,433	-	-	8,340,306	9,498,739
Total revenues	<u>80,858,463</u>	<u>17,214,996</u>	<u>451,442</u>	<u>12,651,879</u>	<u>111,176,780</u>
EXPENDITURES:					
Current:					
Instruction	45,872,093	-	176,509	6,136,413	52,185,015
Instructional resources and media services	981,527	-	2,585	-	984,112
Curriculum and staff development	354,776	-	-	426,867	781,643
Instructional leadership	1,491,397	-	-	212,633	1,704,030
School leadership	5,635,918	-	-	192,502	5,828,420
Guidance, counseling, and evaluation services	2,676,629	-	-	326,748	3,003,377
Social work services	130,244	-	-	94,742	224,986
Health services	1,075,635	-	-	42,426	1,118,061
Student transportation	3,382,760	-	-	181,235	3,563,995
Food services	706	-	-	4,718,563	4,719,269
Extracurricular activities	1,978,575	-	932,606	-	2,911,181
General administration	2,385,461	-	1,212	20,400	2,407,073
Facilities maintenance and operations	9,532,357	-	9,645	-	9,542,002
Security and monitoring services	174,221	-	-	-	174,221
Data processing services	1,233,898	-	-	11,612	1,245,510
Community services	1,286,623	-	-	57,207	1,343,830
Payments to juvenile justice alternative education programs	269,636	-	-	-	269,636
Other intergovernmental charges	589,466	-	-	-	589,466
Debt service	58,921	14,821,857	-	-	14,880,778
Facilities acquisition and construction	-	-	57,512,929	-	57,512,929
Total expenditures	<u>79,110,843</u>	<u>14,821,857</u>	<u>58,635,486</u>	<u>12,421,348</u>	<u>164,989,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,747,620</u>	<u>2,393,139</u>	<u>(58,184,044)</u>	<u>230,531</u>	<u>(53,812,754)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of property	20,839	-	-	-	20,839
Transfers in	17,136	-	-	107,663	124,799
Transfers out	(107,663)	-	-	(17,136)	(124,799)
Proceeds of refunding bonds	-	17,125,000	-	-	17,125,000
Premium on sale of bonds	-	2,351,883	-	-	2,351,883
Payment to refunded bond escrow agent	-	(19,268,869)	-	-	(19,268,869)
Total other financing sources (uses)	<u>(69,688)</u>	<u>208,014</u>	<u>-</u>	<u>90,527</u>	<u>228,853</u>
Net change in fund balances	1,677,932	2,601,153	(58,184,044)	321,058	(53,583,901)
Fund balances - beginning	9,628,234	4,925,237	86,977,694	300,187	101,831,352
Fund balances - ending	<u>\$ 11,306,166</u>	<u>7,526,390</u>	<u>28,793,650</u>	<u>621,245</u>	<u>48,247,451</u>

The notes to the financial statements are an integral part of this statement.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

Net change in fund balances-total governmental funds \$ (53,583,901)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	58,919,985
Depreciation expense	(5,426,124)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred tax revenue	(8,854)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond proceeds, including premiums	(19,179,477)
Issuance costs	206,148
Repayment of bond principal and contractual obligations	5,140,000
Payment to refunded bond escrow agent	19,268,869

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in bond interest payable	28,697
Amortization of issuance costs	(124,723)
Amortization of bond premiums	488,751
Amortization of bond issuance discounts	(6,986)
Amortization of deferred charges on refunding	(301,034)
Change in accretion payable	(304,817)

Change in net assets of governmental activities	<u>\$ 5,116,534</u>
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The notes to the financial statements are an integral part of this statement.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 55,680,150	58,707,784	58,623,233	(84,551)
State program revenues	27,928,543	20,611,505	21,076,797	465,292
Federal program revenues	1,696,296	1,058,000	1,158,433	100,433
Total revenues	<u>85,304,989</u>	<u>80,377,289</u>	<u>80,858,463</u>	<u>481,174</u>
EXPENDITURES:				
Current:				
Instruction	46,177,936	47,284,740	45,872,093	1,412,647
Instructional resources and media services	1,055,317	983,210	981,527	1,683
Curriculum and staff development	223,675	400,187	354,776	45,411
Instructional leadership	2,375,906	1,544,937	1,491,397	53,540
School leadership	5,117,055	5,756,256	5,635,918	120,338
Guidance, counseling, and evaluation services	2,504,290	2,767,238	2,676,629	90,609
Social work services	142,086	130,254	130,244	10
Health services	1,170,312	1,096,232	1,075,635	20,597
Student transportation	3,887,859	3,704,636	3,382,760	321,876
Food services	190	2,000	706	1,294
Extracurricular activities	1,482,016	1,952,180	1,978,575	(26,395)
General administration	2,504,772	2,415,388	2,385,461	29,927
Facilities maintenance and operations	9,683,909	9,904,153	9,532,357	371,796
Security and monitoring services	74,016	175,882	174,221	1,661
Data processing services	948,135	1,264,676	1,233,898	30,778
Community services	1,807,994	1,422,283	1,286,623	135,660
Debt service	-	58,921	58,921	-
Facilities acquisition and construction	-	15,614	-	15,614
Payments to juvenile justice alternative education programs	265,000	270,000	269,636	364
Other intergovernmental charges	600,000	600,000	589,466	10,534
Total expenditures	<u>80,020,468</u>	<u>81,748,787</u>	<u>79,110,843</u>	<u>2,637,944</u>
Excess (deficiency) of revenues over (under) expenditures	5,284,521	(1,371,498)	1,747,620	3,119,118
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of property	-	-	20,839	20,839
Transfers in	-	-	17,136	17,136
Transfers out	-	(84,743)	(107,663)	(22,920)
Total other financing uses, net	<u>-</u>	<u>(84,743)</u>	<u>(69,688)</u>	<u>15,055</u>
Net change in fund balance	5,284,521	(1,456,241)	1,677,932	3,134,173
Fund balance - beginning	9,628,234	9,628,234	9,628,234	-
Fund balance - ending	<u>\$ 14,912,755</u>	<u>8,171,993</u>	<u>11,306,166</u>	<u>3,134,173</u>

The notes to the financial statements are an integral part of this statement.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

ASSETS-

Cash and temporary investments	\$ 929,924
Total assets	<u>\$ 929,924</u>

LIABILITIES:

Accounts payable	\$ 772,848
Due to other funds	<u>157,076</u>
Total liabilities	<u>\$ 929,924</u>

The notes to the financial statements are an integral part of this statement.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions which are related to the Georgetown Independent School District (the "District") and which are controlled by or dependent upon the District's governing body, the Board of Trustees (the "Board"). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues, interest income, and property taxes. Delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred revenue.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any fund balances are considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The Capital Projects Fund includes the proceeds from the sale of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

Fiduciary Funds are unbudgeted funds and are used to account for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and they do not include revenues and expenditures for general operations of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Budgetary Information

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by June 20 and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year. The extracurricular activities function in the General Fund exceeded budgeted amounts for the year ended June 30, 2012 by \$26,395.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or provided for in the subsequent year's budget. There were no material outstanding encumbrances at June 30, 2012 that were provided for in the subsequent year's budget.

Assets, Liabilities, and Net Assets or Equity

Investments - Temporary investments throughout the year consisted of investments in external investment pools, United States Treasury and agency securities, municipal bonds, and commercial paper. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, buildings and improvements, construction in progress, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - 39 years, furniture and equipment - 5 to 7 years.

Inventories and Deferred Expenditures - Inventories in the General Fund consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory is recorded at cost using the FIFO method.

Federal food commodities inventory is stated at fair value and at year end is recorded as deferred revenue. Revenue is recognized at fair value when commodities are distributed to the schools.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as deferred expenditures in both the government-wide and fund financial statements. Deferred expenditures are charged to expenditures when consumed.

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles 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.

Accumulated Sick Leave Liability - The State of Texas (the “State”) has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district’s local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. The District’s policy is not to provide reimbursement upon termination of employment with the District. Accordingly, no liability for accrued compensated absences has been established by the District.

Fund Equity - The District complies with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 9 for additional information on those fund balance classifications.

Recently Issued Accounting Pronouncements

In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for fiscal years beginning after December 15, 2011. The objective of GASB Statement No. 62 is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (“FASB”) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (“AICPA”) Committee on Accounting Procedure issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. Management believes GASB Statement No. 62 will have little effect on its financial statements for the year ended June 30, 2013.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of GASB Statement No. 63 is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. GASB Statement No. 63 amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Management is still evaluating the effects that the full implementation of GASB Statement No. 63 will have on its financial statements for the year ended June 30, 2013.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. The objective of GASB Statement No. 65 is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and to recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, such as deferred bond issuance costs. Management is still evaluating the effects that the full implementation of GASB Statement No. 65 will have on its financial statements for the year ended June 30, 2014.

2. DEPOSITS, SECURITIES AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Securities lending programs
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Guaranteed investment contracts
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent 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 dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2012, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$5,743,175 and the bank balance was \$7,486,975.

The District's deposits with financial institutions at June 30, 2012 and during the year ended June 30, 2012 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the TEA maintains copies of all safekeeping receipts in the name of the District.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a) Name of depository bank: First Texas Bank and Frost Bank
- b) Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$12,473,819.
- c) Largest cash, savings and time deposit combined account balance amounted to \$15,957,932 and occurred during the month of July 2011.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$9,096,001.

Investments held at June 30, 2012 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local governmental investment pools:			
TexPool	\$ 9,422,839	1	AAAm
Lone Star	27,015,950	1	AAA
Commercial paper	6,991,201	150	Not rated
Municipal bonds	7,484,662	66	Various
U.S. Agencies:			
Federal Home Loan Bank	1,501,050	334	AA+
Federal Home Loan Mortgage Corp.	5,022,180	187	AA+
Total	<u>\$ 57,437,882</u>		

The District had investments in two external local government investment pools at June 30, 2012: Texas Local Governmental Investment Pool ("TexPool") and Lone Star Investment Pool ("Lone Star"). Although TexPool and Lone Star are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC's Rule 2a7-of the Investment Company Act of 1940. These investments are stated at fair value which is the same as the value of the pool shares.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool's investment policy, which is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Lone Star is governed by an eleven member board of trustees, in which all of the members are also participants in Lone Star. The board meets quarterly to review operations, adopt or make changes to the investment policy, review financial activity and approve contractor agreements. Lone Star also has an advisory board consisting of participants and nonparticipants. RBC Dain Rauscher, Inc. is an independent consultant for Lone Star that reviews daily operations, analyzes all investment transactions for compliance with the Public Funds Investment Act, and performs monitoring activities. The Bank of New York provides custody and valuation services for Lone Star. American Beacon Advisors and Standish Mellon provide other investment management services. Lone Star's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

The District invests excess funds in commercial paper, municipal bonds and governmental agency securities with First Southwest Management, Inc. and these investments are registered with the SEC.

The investments are reported by the District at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Credit Risk - At June 30, 2012, investments were included in local government investment pools, commercial paper, municipal bonds, and governmental agency securities in compliance with the District's investment policy. Credit risk for the commercial paper, municipal bonds, and governmental agency securities is minimized through the use of a highly-rated dealer counter-party and sufficient ratings from Standard & Poor's.

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 District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At June 30, 2012, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. At June 30, 2012, the District had the following investments which require disclosure:

Issuer	Fair Value	Percentage of Portfolio
Municipal bonds - State of Texas	4,000,624	7%
Commercial paper - FCAR Owner Trust	4,994,865	9%
Federal Home Loan Mortgage Corp.	5,022,180	9%

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires the District to monitor interest rate risk using weighted average maturity and specific identification. Maturities of any individual investment owned by the District should not exceed one year from the time of purchase unless the Board specifically authorizes a longer maturity for a given investment, within legal limits. The District considers the holdings in the local government investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. Three municipal bonds and the government agency securities had a maturity that exceeded one year from the time of purchase, but were authorized by the Board. At June 30, 2012, the District was not exposed to significant interest rate risk.

The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy.

3. APPRAISAL DISTRICT

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Williamson Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the District's Board sets the tax rates on property and the Appraisal District's tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 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, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2011, upon which the October 2011 levy was based, was \$5,478,150,116. The District levied taxes based on a combined tax rate of \$1.358 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance ("WADA") meets or exceeds \$319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district's tax effort and the extent to which the district's wealth per WADA exceeds the first equalized wealth level of \$476,500. The District was not above the equalized wealth level for the 2011-2012 fiscal year.

In 2005, the Texas Legislature passed House Bill 1. House Bill 1 changed the way school districts receive revenue from both state and local sources. Districts that had reached the tax rate cap of \$1.50 per \$100 of assessed value for maintenance and operations were compressed to \$1.33 in 2006 and \$1.00 in 2007. Local school boards retained the option of adding up to four cents to the local compressed rate without approval, and the District has exercised that option for the 2012 tax levy.

4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below as of June 30, 2012.

	General Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 3,266,518	-	3,266,518
Federal and state grants	16,122	1,112,389	1,128,511
Total	<u>\$ 3,282,640</u>	<u>1,112,389</u>	<u>4,395,029</u>

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 808,280
	Fiduciary Fund	157,076
Debt Service Fund	General Fund	<u>8,639</u>
Total		<u>\$ 973,995</u>

The General Fund transferred \$107,663 to Nonmajor Governmental Funds to resolve deficit fund balances in various funds. The Nonmajor Governmental Funds transferred \$17,136 to the General Fund for excess fund balance remaining at year-end for special revenue funds that are no longer operating at June 30, 2012.

6. DEFERRED REVENUE

At June 30, 2012, deferred revenue in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Net tax revenue	\$ 1,096,858	273,748	-	-	1,370,606
Federal and state grants	1,503,859	-	-	312,819	1,816,678
SSA - JJAEP	-	-	-	414,770	414,770
Other	-	-	4,478	-	4,478
Total	<u>\$ 2,600,717</u>	<u>273,748</u>	<u>4,478</u>	<u>727,589</u>	<u>3,606,532</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,887,821	1,508,757	-	11,396,578
Construction in progress	8,778,581	57,117,413	(5,233,852)	60,662,142
Total capital assets, not being depreciated	<u>18,666,402</u>	<u>58,626,170</u>	<u>(5,233,852)</u>	<u>72,058,720</u>
Capital assets, being depreciated:				
Buildings and improvements	196,832,835	5,233,852	-	202,066,687
Furniture and equipment	8,010,615	293,815	-	8,304,430
Total capital assets being depreciated	<u>204,843,450</u>	<u>5,527,667</u>	<u>-</u>	<u>210,371,117</u>
Less accumulated depreciation for:				
Buildings and improvements	(50,904,548)	(5,111,594)	-	(56,016,142)
Furniture and equipment	(4,938,924)	(314,530)	-	(5,253,454)
Total accumulated depreciation	<u>(55,843,472)</u>	<u>(5,426,124)</u>	<u>-</u>	<u>(61,269,596)</u>
Total capital assets, being depreciated, net	<u>148,999,978</u>	<u>101,543</u>	<u>-</u>	<u>149,101,521</u>
Governmental activities capital assets, net	<u>\$ 167,666,380</u>	<u>58,727,713</u>	<u>(5,233,852)</u>	<u>221,160,241</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

Instruction	\$ 3,416,808
Instruction resources and media services	177,301
Instructional leadership	6,814
School leadership	118,853
Health services	17,409
Student transportation	229,202
Food services	438,278
Extracurricular activities	821,159
General administration	57,241
Facilities maintenance and operations	119,037
Data processing services	9,553
Community services	<u>14,469</u>
Total depreciation expense - governmental activities	<u>\$ 5,426,124</u>

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General obligation bonds	\$ 214,440,000	17,125,000	(22,265,000)	209,300,000
Deferred charges on refundings	(189,374)	(2,143,869)	301,034	(2,032,209)
Premiums on bonds	6,114,051	2,054,477	(488,751)	7,679,777
Issuance discount on bonds	<u>(104,796)</u>	<u>-</u>	<u>6,986</u>	<u>(97,810)</u>
Total debt payable - principal	220,259,881	17,035,608	(22,445,731)	214,849,758
Accretion on capital appreciation bonds	<u>280,215</u>	<u>304,817</u>	<u>-</u>	<u>585,032</u>
Total debt payable	<u>\$ 220,540,096</u>	<u>17,340,425</u>	<u>(22,445,731)</u>	<u>215,434,790</u>

Bonded debt consists of the following at June 30, 2012:

General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 6-30-12	Due Within One Year
2004	9-20-04	34,454,977	2020	2.00 - 5.00%	\$ 21,490,000	4,290,000
2005	2-21-05	8,795,000	2017	3.00 - 5.00%	7,175,000	-
2006	1-17-06	95,700,000	2026	3.50 - 5.00%	70,520,000	1,935,000
2010	5-19-10	1,830,000	2022	2.00 - 3.38%	1,760,000	5,000
2011	1-27-11	88,325,000	2035	2.00 - 5.00%	88,325,000	-
2011	4-27-11	2,905,000	2022	2.00 - 3.25%	2,905,000	160,000
2012	2-10-12	17,125,000	2035	1.20 - 4.75%	17,125,000	-
Total		<u>\$ 249,134,977</u>			<u>\$ 209,300,000</u>	<u>\$ 6,390,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District's debt service rate for tax year 2011 was \$0.318.

On February 10, 2012, the District issued \$17,125,000 of Refunding Bonds to advance refund \$17,125,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$19,283,112 (after payment of \$193,771 in underwriting fees, insurance, and other issuance costs) were used for the following: \$19,268,869 was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$14,243 was deposited in the debt service fund for future issuance costs. As a result, \$17,125,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$2,143,869. The amount is netted against the new debt and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. No economic gain or loss was determined for the advance refunding as the Refunding Bonds are variable interest bonds which made it impracticable to determine the maximum amount by which the aggregate amount of payments to be made on the Refunding Bonds exceed the aggregate amount of payments that would have been made on the previously issued District bonds that were refunded. The bond premium for the Refunding Bonds per the official closing statement was \$2,351,883, of which \$297,406 is considered to be accretion and not included in the bond premium in the table on the previous page.

The annual principal installments for each of the outstanding issues vary each year. As of June 30, 2012, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 6,390,000	10,007,586	16,397,586
2014	7,155,000	9,439,494	16,594,494
2015	8,035,000	9,102,735	17,137,735
2016	8,820,000	8,695,582	17,515,582
2017	9,535,000	8,229,979	17,764,979
2018 - 2022	49,870,000	34,679,308	84,549,308
2023 - 2027	47,245,000	22,808,405	70,053,405
2028 - 2032	42,030,000	12,331,556	54,361,556
2033 - 2035	30,220,000	2,242,150	32,462,150
Total	<u>\$ 209,300,000</u>	<u>117,536,795</u>	<u>326,836,795</u>

The outstanding Series 2010, 2011 and 2012 Bonds include both Serial and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years. The outstanding Series 2012 Bonds are multi-mode variable interest bonds and will bear interest at a per annum rate of 4.75% from the date of delivery through July 31, 2015. Thereafter, these bonds will bear interest at a term rate determined by the remarketing agent with a term rate period of one year unless a different rate period is specified by the District as provided in the bond order.

In the current year, the District defeased outstanding general obligation bonds through the Series 2012 Refunding Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements. At June 30, 2012 outstanding bonds of \$14,605,000 are considered defeased.

As of June 30, 2012, general obligation bonds of \$47,200,000 were authorized by voters of the District, but unissued.

9. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board or Board designee that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page 15.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated the authority to assign fund balance for a specific purpose to the Superintendent or the Assistant Superintendent for Business and Operations.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended June 30, 2012, revenues from local and intermediate sources in governmental funds consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 56,017,244	17,110,973	-	-	73,128,217
Food service	-	-	-	1,697,409	1,697,409
Investment income	40,285	7,224	241,343	958	289,810
Penalties, interest, and other tax related income	356,878	96,799	-	-	453,677
Tuition and fees from patrons	1,390,650	-	-	-	1,390,650
Co-curricular student activities	344,640	-	-	-	344,640
Other	473,536	-	210,099	1,649,778	2,333,413
Total	\$ 58,623,233	17,214,996	451,442	3,348,145	79,637,816

11. PENSION PLAN OBLIGATIONS

The District's employees participate in the Teacher Retirement System of Texas (the "System"), a public employee retirement system ("PERS"). It is a cost-sharing multiple employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. During the year ended June 30, 2012, contributions of \$3,899,886 were made by the State. These contributions made by the State on behalf of the District have been reflected in the accompanying basic financial statements as both revenue and expenditures. The System's annual financial report and other required disclosures are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 877-0123.

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. The District's employees' contributions to the System for the years ended June 30, 2012, 2011, and 2010 were approximately \$4,064,000, \$4,368,000, and \$4,219,000, respectively, which were equal to the required contributions for the years. Other contributions made from federal grants and from the District for salaries above the statutory minimum for the year ended June 30, 2012, 2011, and 2010 were approximately \$608,000, \$760,000, and \$691,000, respectively, which was equal to the required contributions for the year.

12. ON-BEHALF PAYMENTS

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to the System on behalf of the District. In addition, the District recognizes as revenues and expenditures reimbursements made by the federal government to the System on behalf of the District under the provisions of the Early Retiree Reinsurance Program for health benefits to retirees between the ages of 55 and 64 and their covered dependents regardless of age. For the year ended June 30, 2012, reimbursements of \$294,229 were received by the System and allocated to the District.

13. RISK MANAGEMENT

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended June 30, 2012, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

14. SHARED SERVICES ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) to operate a Juvenile Justice Alternative Education Program (“JJAEP”) in compliance with the Texas Education Code, Section 37.011 for the member districts listed below. All services are provided by the fiscal agent and the member districts provide the funds to the fiscal agent. The District has accounted for the fiscal agent’s activities of the SSA in a special revenue fund, SSSA– JJAEP. Contributions from the SSA are summarized below:

Round Rock ISD	\$	445,391
Georgetown ISD		269,636
Leander ISD		222,522
Taylor ISD		87,415
Hutto ISD		49,077
Liberty Hill ISD		33,373
Jarrell ISD		23,095
Florence ISD		18,014
Thrall ISD		5,774
Bartlett ISD		463
Total	\$	<u>1,154,760</u>

15. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District’s grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2012, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

At June 30, 2012, the District is also committed under construction contracts with a remaining balance of approximately \$19,744,933.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	211	212	222	224	225	226	240/242	244	255	263	280	283	287	289	385
	ESEA Title I, Part A Improving Basic Programs	ESEA Title I, Part C Education of Migratory Children	National and Community Service Trust Act Learn and Serve America	IDEA - Part B, Formula	IDEA - Part B, Preschool	IDEA - Part B, Discretionary	National School Breakfast and Lunch Program	Career and Technical Basic Grant	ESEA Title II, Part A Teacher and Principal Training and Recruiting	Title III, Part A English Language Acquisition and Language Enhancement	Education for Homeless Children and Youth, Recovery Act	IDEA - Part B, Formula, Recovery Act	Education Jobs Fund	Summer School LEP	State Supplemental Visually Impaired
Assets:															
Cash and temporary investments	\$ -	1,170	894	-	-	-	587,905	-	-	680	-	-	-	-	-
Receivables:															
Due from other governments	183,824	-	-	355,368	5,587	78,137	30,660	9,563	37,092	29,011	2,124	-	376,648	-	4,375
Other	-	-	-	-	-	-	142,083	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	267,017	-	-	-	-	-	-	-	-
Total assets	<u>\$ 183,824</u>	<u>1,170</u>	<u>894</u>	<u>355,368</u>	<u>5,587</u>	<u>78,137</u>	<u>1,027,665</u>	<u>9,563</u>	<u>37,092</u>	<u>29,691</u>	<u>2,124</u>	<u>-</u>	<u>376,648</u>	<u>-</u>	<u>4,375</u>
Liabilities and fund balances:															
Liabilities:															
Accounts payable	\$ 3,435	-	-	5,133	-	-	24,297	8,376	-	13,483	345	-	-	-	705
Accrued wages payable	95,481	-	-	146,291	3,546	-	206,641	-	-	4,083	-	-	222,850	-	-
Due to other funds	84,908	-	-	203,944	2,041	78,137	275,346	1,187	37,092	12,125	1,779	-	107,996	-	3,670
Due to other governments	-	1,170	894	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	267,017	-	-	-	-	-	45,802	-	-
Total liabilities	<u>183,824</u>	<u>1,170</u>	<u>894</u>	<u>355,368</u>	<u>5,587</u>	<u>78,137</u>	<u>773,301</u>	<u>9,563</u>	<u>37,092</u>	<u>29,691</u>	<u>2,124</u>	<u>-</u>	<u>376,648</u>	<u>-</u>	<u>4,375</u>
Fund balances:															
Restricted	-	-	-	-	-	-	254,364	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 183,824</u>	<u>1,170</u>	<u>894</u>	<u>355,368</u>	<u>5,587</u>	<u>78,137</u>	<u>1,027,665</u>	<u>9,563</u>	<u>37,092</u>	<u>29,691</u>	<u>2,124</u>	<u>-</u>	<u>376,648</u>	<u>-</u>	<u>4,375</u>

(continued)

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds (continued)

June 30, 2012

	397	399	410	411	415	459	461	499	Total
	Advanced Placement Incentives	Investment Capital Funds	State Instructional Materials	Technology Allotment	Kindergarten and Prekindergarten Grants	SSA JJAEP	Campus Activity	Local Grants	Special Revenue Funds
Assets:									
Cash and temporary investments	\$ -	-	-	-	-	556,266	284,347	19,066	1,450,328
Receivables:									
Due from other governments	-	-	-	-	-	-	-	-	1,112,389
Other	-	-	-	-	-	-	-	-	142,083
Inventory	-	-	-	-	-	-	-	-	267,017
Total assets	\$ -	-	-	-	-	556,266	284,347	19,066	2,971,817
Liabilities and fund balances:									
Liabilities:									
Accounts payable	\$ -	-	-	-	-	-	3,241	1,866	60,881
Accrued wages payable	-	-	-	-	-	72,866	-	-	751,758
Due to other funds	-	-	-	-	-	-	55	-	808,280
Due to other governments	-	-	-	-	-	-	-	-	2,064
Deferred revenue	-	-	-	-	-	414,770	-	-	727,589
Total liabilities	-	-	-	-	-	487,636	3,296	1,866	2,350,572
Fund balances:									
Restricted	-	-	-	-	-	-	-	-	254,364
Committed	-	-	-	-	-	-	281,051	-	281,051
Assigned	-	-	-	-	-	68,630	-	17,200	85,830
Total fund balances	-	-	-	-	-	68,630	281,051	17,200	621,245
Total liabilities and fund balances	\$ -	-	-	-	-	556,266	284,347	19,066	2,971,817

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2012

	211	212	222	224	225	226	240/242	244	255	263	280	283	287	289	385
	ESEA Title I, Part A Improving Basic Programs	ESEA Title I, Part C Education of Migratory Children	National and Community Service Trust Act Learn and Serve America	IDEA - Part B, Formula	IDEA - Part B, Preschool	IDEA - Part B, Discretionary	National School Breakfast and Lunch Program	Career and Technical Basic Grant	ESEA Title II, Part A Teacher and Principal Training and Recruiting	Title III, Part A English Language Acquisition and Language Enhancement	Education for Homeless Children and Youth, Recovery Act	IDEA - Part B, Formula, Recovery Act	Education Jobs Fund	Summer School LEP	State Supplemental Visually Impaired
Revenues:															
Local and intermediate sources	\$ -	-	-	-	-	-	1,698,367	-	-	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	28,713	-	-	-	-	-	-	-	4,375
Federal program revenues	942,096	657	5,750	1,643,516	24,200	78,137	3,137,107	86,684	362,716	112,285	2,258	377,970	1,549,948	16,982	-
Total revenues	942,096	657	5,750	1,643,516	24,200	78,137	4,864,187	86,684	362,716	112,285	2,258	377,970	1,549,948	16,982	4,375
Expenditures:															
Instruction	828,434	-	5,750	1,340,674	24,200	78,137	-	55,731	15,360	47,968	-	81,447	1,549,948	7,769	4,375
Curriculum and staff development	11,912	-	-	2,240	-	-	-	9,416	351,897	44,636	-	-	-	-	-
Instructional leadership	75,340	-	-	4,489	-	-	-	21,537	3,896	18,077	-	89,294	-	-	-
School leadership	-	-	-	-	-	-	-	-	509	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	251,436	-	-	-	-	-	-	-	25,994	-	-	-
Social work services	14,902	657	-	-	-	-	-	-	-	582	2,258	-	-	-	-
Health services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-	-	-	181,235	-	-	-
Food services	-	-	-	-	-	-	4,718,563	-	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Data processing services	-	-	-	-	-	-	-	-	-	-	-	-	-	9,213	-
Community services	11,508	-	-	44,677	-	-	-	-	-	1,022	-	-	-	-	-
Total expenditures	942,096	657	5,750	1,643,516	24,200	78,137	4,718,563	86,684	371,662	112,285	2,258	377,970	1,549,948	16,982	4,375
Excess (Deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	145,624	-	(8,946)	-	-	-	-	-	-
Other financing sources (uses):															
Transfers in	-	-	-	-	-	-	81,000	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	81,000	-	-	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	-	-	27,740	-	8,946	-	-	-	-	-	-
Fund balances - ending	\$ -	-	-	-	-	-	254,364	-	-	-	-	-	-	-	-

(continued)

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended June 30, 2012

	397	399	410	411	415	459	461	499	Total Special Revenue Funds
	Advanced Placement Incentives	Investment Capital Funds	State Instructional Materials	Technology Allotment	Kindergarten and Prekindergarten Grants	SSA JJAEP	Campus Activity	Local Grants	
Revenues:									
Local and intermediate sources	\$ -	-	-	-	-	1,154,759	472,853	22,166	3,348,145
State program revenues	1,800	-	878,976	-	-	49,564	-	-	963,428
Federal program revenues	-	-	-	-	-	-	-	-	8,340,306
Total revenues	1,800	-	878,976	-	-	1,204,323	472,853	22,166	12,651,879
Expenditures:									
Instruction	-	-	878,976	-	-	777,414	440,230	-	6,136,413
Curriculum and staff development	1,800	-	-	-	-	-	-	4,966	426,867
Instructional leadership	-	-	-	-	-	-	-	-	212,633
School leadership	-	-	-	-	-	191,993	-	-	192,502
Guidance, counseling and evaluation services	-	-	-	-	-	49,318	-	-	326,748
Social work services	-	-	-	-	-	76,343	-	-	94,742
Health services	-	-	-	-	-	42,426	-	-	42,426
Student transportation	-	-	-	-	-	-	-	-	181,235
Food services	-	-	-	-	-	-	-	-	4,718,563
General administration	-	-	-	-	-	14,500	5,900	-	20,400
Data processing services	-	-	-	-	-	2,399	-	-	11,612
Community services	-	-	-	-	-	-	-	-	57,207
Total expenditures	1,800	-	878,976	-	-	1,154,393	446,130	4,966	12,421,348
Excess (Deficiency) of revenues over (under) expenditures	-	-	-	-	-	49,930	26,723	17,200	230,531
Other financing sources (uses):									
Transfers in	5,831	-	-	-	20,832	-	-	-	107,663
Transfers out	-	(1,320)	-	(15,816)	-	-	-	-	(17,136)
Total other financing sources (uses)	5,831	(1,320)	-	(15,816)	20,832	-	-	-	90,527
Fund balances - beginning	(5,831)	1,320	-	15,816	(20,832)	18,700	254,328	-	300,187
Fund balances - ending	\$ -	-	-	-	-	68,630	281,051	17,200	621,245

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Major Governmental Fund - Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES-				
Local and intermediate sources	\$ 17,555,000	17,040,635	17,214,996	174,361
Total revenues	<u>17,555,000</u>	<u>17,040,635</u>	<u>17,214,996</u>	<u>174,361</u>
EXPENDITURES-				
Debt service	<u>17,555,000</u>	<u>14,822,548</u>	<u>14,821,857</u>	<u>691</u>
Total expenditures	<u>17,555,000</u>	<u>14,822,548</u>	<u>14,821,857</u>	<u>691</u>
Excess of revenues over expenditures	-	2,218,087	2,393,139	175,052
OTHER FINANCING SOURCES (USES):				
Proceeds of refunding bonds	-	17,125,000	17,125,000	-
Premium on sale of bonds	-	2,351,883	2,351,883	-
Payment to refunded bond escrow agent	<u>-</u>	<u>(19,268,869)</u>	<u>(19,268,869)</u>	<u>-</u>
Total other financing sources, net	<u>-</u>	<u>208,014</u>	<u>208,014</u>	<u>-</u>
Net change in fund balance	-	2,426,101	2,601,153	175,052
Fund balance - beginning	<u>4,925,237</u>	<u>4,925,237</u>	<u>4,925,237</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,925,237</u>	<u>7,351,338</u>	<u>7,526,390</u>	<u>175,052</u>

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

Nonmajor Special Revenue Fund - Food Service

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local and intermediate sources	\$ 2,162,000	1,660,932	1,698,367	37,435
State program revenues	30,000	27,921	28,713	792
Federal program revenues	2,955,000	3,126,500	3,137,107	10,607
Total revenues	<u>5,147,000</u>	<u>4,815,353</u>	<u>4,864,187</u>	<u>48,834</u>
EXPENDITURES-				
Food services	<u>4,997,000</u>	<u>4,791,735</u>	<u>4,718,563</u>	<u>73,172</u>
Total expenditures	<u>4,997,000</u>	<u>4,791,735</u>	<u>4,718,563</u>	<u>73,172</u>
Excess of revenues over expenditures	150,000	23,618	145,624	122,006
OTHER FINANCING SOURCES-				
Transfers in	<u>-</u>	<u>84,743</u>	<u>81,000</u>	<u>(3,743)</u>
Net change in fund balance	150,000	108,361	226,624	118,263
Fund balance - beginning	<u>27,740</u>	<u>27,740</u>	<u>27,740</u>	<u>-</u>
Fund balance - ending	<u>\$ 177,740</u>	<u>136,101</u>	<u>254,364</u>	<u>118,263</u>

OTHER SCHEDULES

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended June 30, 2012

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 6/30/2011	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 6/30/2012
	Maintenance	Debt Service							
2003 and prior	Various	Various	\$ -	\$ 166,227	-	4,424	678	(55,201)	105,924
2004	1.5000	0.2650	2,940,264,816	56,791	-	1,492	264	(601)	54,434
2005	1.5000	0.2550	3,180,697,037	63,750	-	3,908	664	(811)	58,367
2006	1.5000	0.2550	3,442,301,140	21,332	-	4,705	800	(1,370)	14,457
2007	1.3700	0.2550	3,938,047,569	107,115	-	(30,233)	(5,627)	(54,645)	88,330
2008	1.0400	0.2500	4,543,813,023	63,863	-	6,497	1,562	4,137	59,941
2009	1.0400	0.2500	5,121,312,943	110,561	-	(53,918)	(12,961)	(84,087)	93,353
2010	1.0400	0.2500	5,222,131,705	146,107	-	(19,915)	(4,787)	(35,699)	135,110
2011	1.0400	0.2500	5,301,848,322	1,530,257	-	1,032,392	248,171	(39,401)	210,293
2012	1.0400	0.3180	5,478,150,116	-	73,324,755	55,109,676	16,850,843	61,893	1,426,129
Totals				\$ 2,266,003	73,324,755	56,059,028	17,079,607	(205,785)	2,246,338

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures for Computation of Indirect Cost
for General and Special Revenue Funds
Year Ended June 30, 2012

FUNCTION 41 AND RELATED FUNCTIONS 53 AND 99 - GENERAL ADMINISTRATION

Account Number	Account Name	A School Board	B Tax Collection	C Supt's Office	D Indirect Cost	E Direct Cost	F Miscellaneous	G Total
611x-6146	Payroll costs	\$ -	-	242,464	1,630,149	-	-	1,872,613
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	-	-	-	130,859	-	-	130,859
6212	Audit services	-	-	-	48,830	-	-	48,830
6213	Tax appraisal and collection	-	589,466	-	-	-	-	589,466
621x	Other professional services	-	-	13,650	111,150	-	2,399	127,199
6220	Tuition and transfer payments	-	-	-	-	-	-	-
6230	Education service centers	-	-	-	1,985	-	-	1,985
6240	Contr. maintenance and repairs	-	-	-	7,058	-	-	7,058
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	28,714	-	-	28,714
6290	Miscellaneous contr.	-	-	-	88,177	-	-	88,177
6320	Textbooks and reading	-	-	-	-	-	-	-
6330	Testing materials	-	-	-	-	-	-	-
63xx	Other supplies, materials	264	-	3,531	20,998	-	-	24,793
6410	Travel, subsistence, stipends	1,154	-	79	705	-	-	1,938
6420	Insurance and bonding costs	-	-	-	42,986	-	-	42,986
6430	Election costs	-	-	-	43,883	-	-	43,883
6490	Miscellaneous operating	1,371	-	5,790	102,618	-	14,500	124,279
6600	Capital outlay	-	-	-	290	-	-	290
6000 - TOTAL		<u>\$ 2,789</u>	<u>589,466</u>	<u>265,514</u>	<u>2,258,402</u>	<u>-</u>	<u>16,899</u>	<u>3,133,070</u>

Total expenditures/expenses for General and Special Revenue Funds **\$ 91,532,191**

Less: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	\$ 493,746
Total Debt & Lease (6500)	58,921
Plant Maintenance (Function 51, 6100-6400)	9,489,199
Food (Function 35, 6341 and 6499)	14,632
Stipends (6413)	-
Total Indirect Cost	<u>2,258,402</u>
Subtotal	<u>12,314,900</u>
Net Allowed Direct Cost	<u>\$ 79,217,291</u>

CUMULATIVE

Total Cost of Buildings before Depreciation	\$ 202,066,687
Historical Cost of Buildings over 50 Years Old	\$ 1,134,080
Amount of Federal Money in Building Cost (Net of Above)	\$ -
Total Cost of Furniture & Equipment before Depreciation	\$ 8,304,430
Historical Cost of Furniture & Equipment Over 16 Years Old	\$ 2,432,444
Amount of Federal Money in Furniture & Equipment (Net of Above)	\$ 614,942

(8) Note A - \$144,031 in Function 53 expenditures and \$589,466 in Function 99 expenditures are included in this report on administrative costs.

FEDERAL AWARDS SECTION



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**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***

The Board of Trustees of
Georgetown Independent School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Georgetown Independent School District (the “District”) as of and for the year ended June 30, 2012, which collectively comprise the District’s basic financial statements and have issued our report thereon dated October 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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 District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*“A Registered Investment Advisor”
This firm is not a CPA firm*

Our consideration of internal control over financial reporting was for the limited purposes 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 previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting (2012-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Maxwell Socha + Ritter LLP

October 11, 2012



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INDEPENDENT AUDITORS' 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

The Board of Trustees of
Georgetown Independent School District:

Compliance

We have audited Georgetown Independent School District's (the "District") 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 the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 the 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 on the District's compliance with those requirements.

In our opinion, the 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 June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-2 and 2012-3.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the 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 the 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 consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-2 and 2012-3. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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

Maxwell Soche + Ritter LLP

October 11, 2012

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Project Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency:</u>			
12610101246904	ESEA Title I, Part A Improving Basic Programs	84.010A	\$ 942,096
11615001246904	ESEA Title I, Part C Education of Migratory Children	84.011A	657
126600012469046000	IDEA - Part B Formula	84.027A	1,643,516
10554001246904	IDEA - Part B Formula, Recovery Act	84.391A	377,970
126610012469046000	IDEA - Part B Pre-School	84.173A	24,200
11660006246904	IDEA - Part B Discretionary	84.027A	78,137
12420006246904	Career and Technical Basic Grant	84.048A	86,684
12694501246904	ESEA Title II, Part A, Teacher and Principal Training and Recruiting	84.367A	371,662
12671001246904	Title III, Part A, English Language Acquisition and Language Enhancement	84.365A	112,285
11550101246904	Education Jobs Fund	84.410A	1,549,948
69551002	Summer School LEP	84.369A	16,982
<u>Passed Through Education Service Center Region 10-</u>			
00-006	Education for Homeless Children and Youth, Recovery Act	84.387A	2,258
<u>Passed Through Williamson County Tax Assessor-</u>			
(1)	Impact Aid	84.041	<u>57,839</u>
TOTAL DEPARTMENT OF EDUCATION			<u>5,264,234</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Texas Department of Agriculture-</u>			
11-6434	Team Nutrition Grants	10.574	13,507
<u>Passed Through Texas Education Agency:</u>			
71301101	National School Lunch Program	10.555	2,126,004
71401101	School Breakfast Program	10.553	749,797
<u>Passed Through the Texas Department of</u>			
<u>Human Services-</u>			
	Non-cash assistance - Food Distribution Program	10.555	<u>247,800</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>3,137,108</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
<u>Passed Through Education Service Center Region 14-</u>			
09KSWTX001	Learn and Serve America - School and Community Based Programs	94.004	<u>5,750</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 8,407,092</u></u>

(1) - Federal funds received in lieu of taxes

The accompanying notes are an integral part of this schedule.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General - The accompanying schedule of expenditures of federal awards presents all federal expenditures of the Georgetown Independent School District (the "District").

Basis of Accounting - The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting, with the exception of the National School Lunch Program, the School Breakfast Program, the Food Distribution Program, the Team Nutrition Grants Program, and the Impact Aid Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, the School Breakfast Program, the Food Distribution Program, the Team Nutrition Grants Program, and the Impact Aid Program are not specifically attributable to this revenue source and are shown on the accompanying schedule of expenditures of federal awards in an amount equal to revenue for balancing purposes only.

Relationship to Basic Financial Statements - Expenditures of federal awards are reported in the District's basic financial statements in the special revenue funds.

Relationship to Federal Financial Reports - Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

Valuation of Non-cash Programs - The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs:

ESEA Title I, Part A Improving Basic Programs	unqualified
Special Education Cluster	unqualified
ESEA Title II, Part A Teacher and Principal Training and Recruitment	unqualified
Education Jobs Fund	unqualified

Any audit findings disclosed that are required to be reported with section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	ESEA Title I, Part A Improving Basic Programs
	Special Education Cluster:
84.027A	IDEA - Part B Formula and Discretionary
84.173A	IDEA - Part B Pre-School
84.391A	IDEA - Part B Formula, Recovery Act
84.367A	ESEA Title II, Part A Teacher and Principal Training and Recruiting
84.410A	Education Jobs Fund

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

Findings Relating to Internal Control over Financial Reporting in Accordance with Government Auditing Standards:

2012-1

- Criteria: The District records expenditures in the reporting period in which they were incurred.
- Condition Found: There were multiple invoices for expenditures incurred at the end of the current year related to capital projects that were not recorded in the proper reporting period.
- Effect: There were \$2,650,262 in capital outlay expenditures incurred in June 2012 in the Capital Projects Fund that were not recorded as of June 30, 2012. In addition, there were \$204,228 in capital outlay expenditures incurred in July 2012 in the Capital Projects Fund there were recorded as of June 30, 2012. As a result, net expenditures and the related liability balances were understated at year-end.
- Recommendations: District management should ensure that policies and procedures are in place and functioning so that all expenditures are recorded in the proper reporting period based on when the expenditures were incurred by the District.
- Corrective Action Plan: As part of the year-end closing process, Accounts Payable will pay purchase orders from the budget year based on the invoice date. If a purchase order is entered into Skyward in the next budget year, but the invoice date shows work performed or items purchased in the previous budget year, Accounts Payable will pay out of the previous budget year. All invoices will be reviewed by the staff accountant or Director of Budget and Finance before payment is made. Prior to the year-end closing of the accounts, any open purchase orders from the previous year will be closed out.

2011-1

- Criteria: The District records expenditures in the reporting period in which they were incurred.
- Condition Found: There were multiple invoices for expenditures incurred at the end of the current year related to capital projects that were not recorded in the proper reporting period.
- Effect: There were \$3,498,972 in capital outlay expenditures incurred in June 2011 in the Capital Projects Fund that were not recorded as of June 30, 2011, thus expenditures and the related liability balances were understated at year-end.

- Recommendations: District management should ensure that policies and procedures are in place and functioning so that all expenditures are recorded in the proper reporting period based on when the expenditures were incurred by the District.
- Corrective Action Plan: As part of the year-end closing process, Accounts Payable will pay purchase orders from the budget year based on the invoice date. If a purchase order is entered into Skyward in the next budget year, but the invoice date shows work performed or items purchased in the previous budget year, Accounts Payable will pay out of the previous budget year. All invoices will be reviewed by the staff accountant or Director of Budget and Finance before payment is made. Prior to the year-end closing of the accounts, any open purchase orders from the previous year will be closed out.

2011-2

- Criteria: The District records transactions within its governmental funds in accordance with generally accepted accounting principles.
- Condition Found: During the course of the audit, numerous audit adjustments were identified and recorded in the District's governmental fund financial statements.
- Effect: Audit adjustments identified and recorded decreased fund balance in the General Fund and Capital Projects Fund at year-end by \$4,063,220 and \$3,039,815, respectively.
- Recommendations: District management should review its internal controls over financial reporting to ensure that all transactions are recorded in accordance with generally accepted accounting principles.
- Corrective Action Plan: The general ledger accounts were reviewed regularly by the staff accountant and the Director of Budget and Finance. Reconciliations were performed for asset and liability accounts for each fund on a monthly basis and accounts were adjusted as needed. A reconciliation of the Due from State account was performed each time the District received a payment or allotment adjustment and this reconciliation was verified by the CFO.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings Relating to Federal Awards Reported in Accordance with section 510(a) of OMB Circular A-133:

2012-2

- Criteria: OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source.
- Condition Found: Payroll expenditures for seven employees who worked solely on Special Education activities during the year and were initially paid out of IDEA-B program funds, which include Recovery Act funds, were transferred to the General Fund to be paid from local funds. This transfer did not include all payroll expenditures related to these employees that were recorded in the IDEA-B program and semi-annual certifications were not completed for these employees.

Questioned Costs: The District charged payroll expenditures of \$57,189 to the IDEA-B program, of which \$17,150 related to Recovery Act funds, for these employees who worked solely on Special Education activities during the current fiscal year but were funded with both local and federal funds.

Effect: Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if semi-annual certifications are not completed.

Recommendations: District management should ensure that policies and procedures are in place and functioning so that semi-annual certifications are completed for employees who work solely on a single cost objective and are funded by a federal program.

Corrective Action Plan: Campus and District level employees who work solely on Special Education activities funded by local, State, or federal funds will complete semi-annual certifications.

2012-3

Criteria: OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source.

Condition Found: Payroll expenditures for several employees who worked solely on Special Education activities during the year and were initially paid out of the General Fund were transferred to the IDEA-B program to be paid from federal funds. Semi-annual certifications were not completed for these employees.

Questioned Costs: The District charged payroll expenditures of \$78,137 to the IDEA-B program for these employees who worked solely on Special Education activities during the current fiscal year but were funded with both local and federal funds.

Effect: Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if semi-annual certifications are not completed.

Recommendations: District management should ensure that policies and procedures are in place and functioning so that semi-annual certifications are completed for employees who work solely on a single cost objective and are funded by a federal program.

Corrective Action Plan: Campus and District level employees who work solely on Special Education activities funded by local, State, or federal funds will complete semi-annual certifications.

2011-3

Criteria: OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source.

Condition Found: Payroll expenditures for one employee that was initially paid solely out of Title I, Part A funds were transferred to the General Fund. This transfer did not include this employee's benefit expenditures or accrued wages charged to Title I, Part A.

Questioned Costs: The District charged payroll expenditures of \$13,878 to the Title I, Part A program related to an employee who did not work on this program during the current fiscal year.

Effect: Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if personnel activity reports do not support the allocation of payroll expenditures to a federal program.

Recommendations: District management should ensure that policies and procedures are in place and functioning so that all related expenditures for employees who are reassigned out of a federal program are transferred to the General Fund and not charged to the federal program.

Corrective Action Plan: The payroll supervisor generated the amount of salary and benefits that was used to make the journal entry to transfer payroll expenditures between funds. The staff accountant works closely with the payroll department on any future reclassifications involving salary and benefits.

2011-4

Criteria: OMB Circular A-87 requires employees who work on multiple cost objectives to complete a personnel activity report, which reflects the actual time spent on each cost objective. These personnel activity reports must be prepared at least monthly and signed by the employee or a supervisor with knowledge of how an employee's time has been spent.

Condition Found: Personnel activity reports completed for District employees who worked on the Title I, Part A program, which includes Recovery Act funds, and another cost objective did not support the allocation of payroll expenditures to the Title I, Part A program.

Questioned Costs: Payroll expenditures related to employees who worked on the Title I, Part A program and another cost objective were \$143,226, of which \$52,637 related to Recovery Act funds.

Effect: Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if personnel activity reports do not support the allocation of payroll expenditures to a federal program.

Recommendations: District management should ensure that policies and procedures are in place and functioning so that the allocation of payroll expenditures to federal programs is supported by personnel activity reports.

Corrective Action Plan: Campus and District level split-funded employees completed time and effort documentation forms. Forms were signed by the appropriate supervisor, collected by the Federal Programs office, and filed electronically as well as in paper form. Time and effort documentation forms were submitted to the Human Resources department for review and approval.

- Criteria:** OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source. For employees who work on multiple cost objectives, a personnel activity report, which reflects the actual time spent on each cost objective, must be prepared at least monthly and signed by the employee or a supervisor with knowledge of how an employee's time has been spent.
- Condition Found:** District employees who worked solely on the IDEA-B program, which includes Recovery Act funds, did not complete semi-annual certifications. Personnel activity reports completed for District employees who worked on the IDEA-B program and another cost objective did not support the allocation of payroll expenditures to the IDEA-B program.
- Questioned Costs:** Payroll expenditures related to employees who worked solely on the IDEA-B program were \$1,472,660, of which \$192,066 related to Recovery Act funds. Payroll expenditures related to employees who worked on the IDEA-B program and another cost objective were \$96,367, of which \$21,665 related to Recovery Act funds.
- Effect:** Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if semi-annual certifications are not completed or personnel activity reports do not support the allocation of payroll expenditures to a federal program.
- Recommendations:** District management should ensure that policies and procedures are in place and functioning so that employees complete semi-annual certifications and the allocation of payroll expenditures to federal programs are supported by personnel activity reports.
- Corrective Action Plan:** Campus and District level employees who work solely on Special Education activities funded by local, State, or federal funds will complete semi-annual certifications. Split-funded employees completed time and effort documentation forms. The goal of the Special Education Department is not to have employees split-funded between IDEA-B and another cost objective.