

**GEORGETOWN INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
June 30, 2013**



GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended June 30, 2013
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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, 2013 at a meeting of the Board of Trustees of such school district on the 21 day of October, 2013.


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:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Georgetown Independent School District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and 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 accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic 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 basic financial statements.

The combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013 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* in considering the District's internal control over financial reporting and compliance.

Maxwell Socha + Ritter LLP

Austin, Texas
October 14, 2013

GEORGETOWN INDEPENDENT SCHOOL DISTRICT 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, 2013. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position at June 30, 2013 was approximately \$58.4 million.
- The fund balance for the General Fund at June 30, 2013 was approximately \$14.3 million, an increase of approximately \$3.0 million from the prior year. The increase was primarily due to a decrease in instruction expenditures related to budget cuts by the District.
- During 2013, the District issued \$73.8 million in Unlimited Tax Refunding Bonds to refund a portion of the District's Series 2004 Unlimited Tax Refunding Bonds and 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 basic 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 Position presents information on all of the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal period. All changes in net position 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 position 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 funds balance sheet and in the governmental funds 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 Position. 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

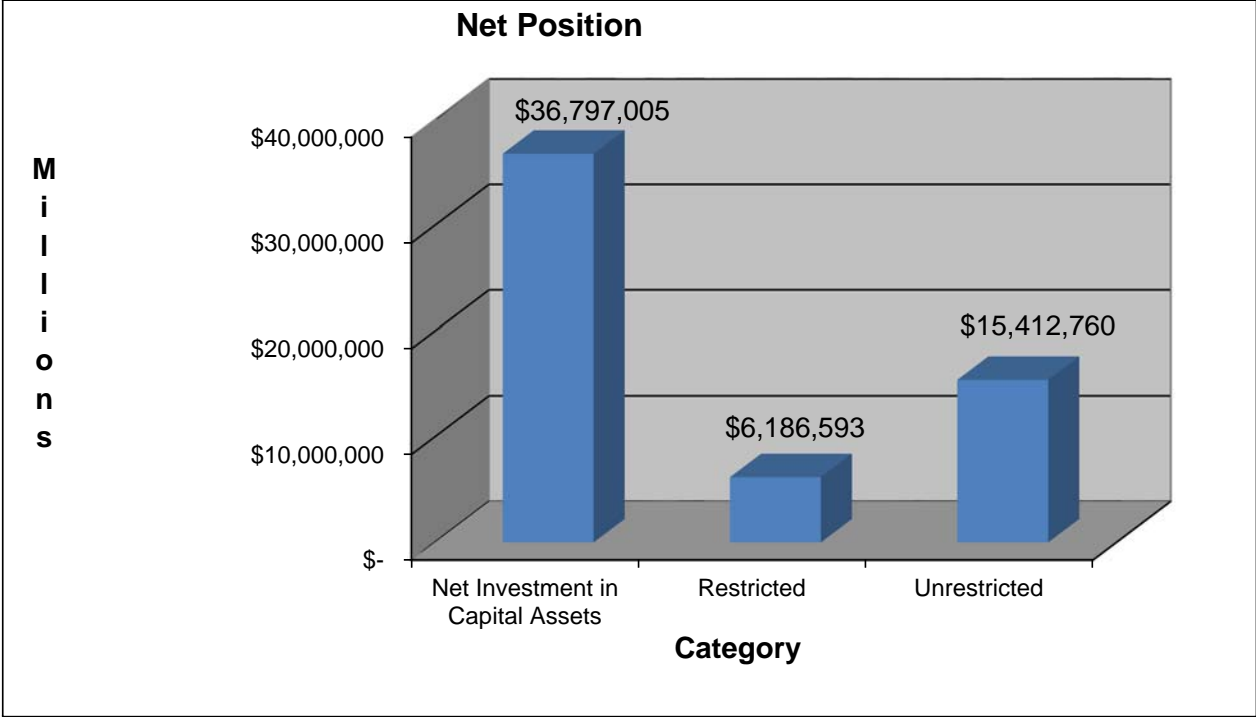
Net position may serve over time as a useful indicator of the District's financial position. For the year ended June 30, 2013, net position was \$58,396,358 an increase of \$6,720,248 as compared to net position for the year ended June 30, 2012, as restated.

Net position for the year ended June 30, 2013 as compared to the year ended June 30, 2012 can be presented as follows:

Georgetown Independent School District's Net Position

	Governmental Activities as of	
	June 30, 2012	June 30, 2013
Current assets:		
Cash and temporary investments	\$ 62,251,133	\$ 40,860,106
Property taxes, net	2,201,411	2,359,447
Due from other governments	4,395,029	4,022,956
Due from fiduciary funds	157,076	20,779
Other receivables and inventory	521,769	578,121
Prepaid items	665,262	2,600
Total current assets	70,191,680	47,844,009
Non-current assets -		
Capital assets, net of accumulated depreciation	221,160,241	238,330,645
Total assets, as restated	\$ 291,351,921	\$ 286,174,654
Deferred outflows of resources -		
Deferred charges on refundings	\$ 2,032,209	\$ 7,763,128
Current liabilities:		
Accounts payable and accrued liabilities	\$ 18,335,633	\$ 12,061,902
Bonds payable	6,390,000	7,675,000
Bond interest payable	3,667,398	3,241,033
Unearned revenue	2,235,926	4,337,599
Accretion payable	284,467	-
Due to other governments	2,064	1,170
Total current liabilities	30,915,488	27,316,704
Long-term liabilities:		
Bonds payable	210,491,967	207,915,767
Accretion payable	300,565	308,953
Total long-term liabilities, as restated	210,792,632	208,224,720
Total liabilities, as restated	\$ 241,708,020	\$ 235,541,424
Net position:		
Net investment in capital assets, as restated	\$ 35,104,133	\$ 36,797,005
Restricted	4,387,104	6,186,593
Unrestricted	12,184,873	15,412,760
Total net position, as restated	\$ 51,676,110	\$ 58,396,358

The District has unrestricted net position of \$15,412,760 as of June 30, 2013. For the year ended June 30, 2013, restricted net position increased by \$1,799,489 and unrestricted net position increased by \$3,227,887. Overall cash and investments decreased from the previous year due to the use of proceeds received from bond issuances in the prior year for construction projects within the District.



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

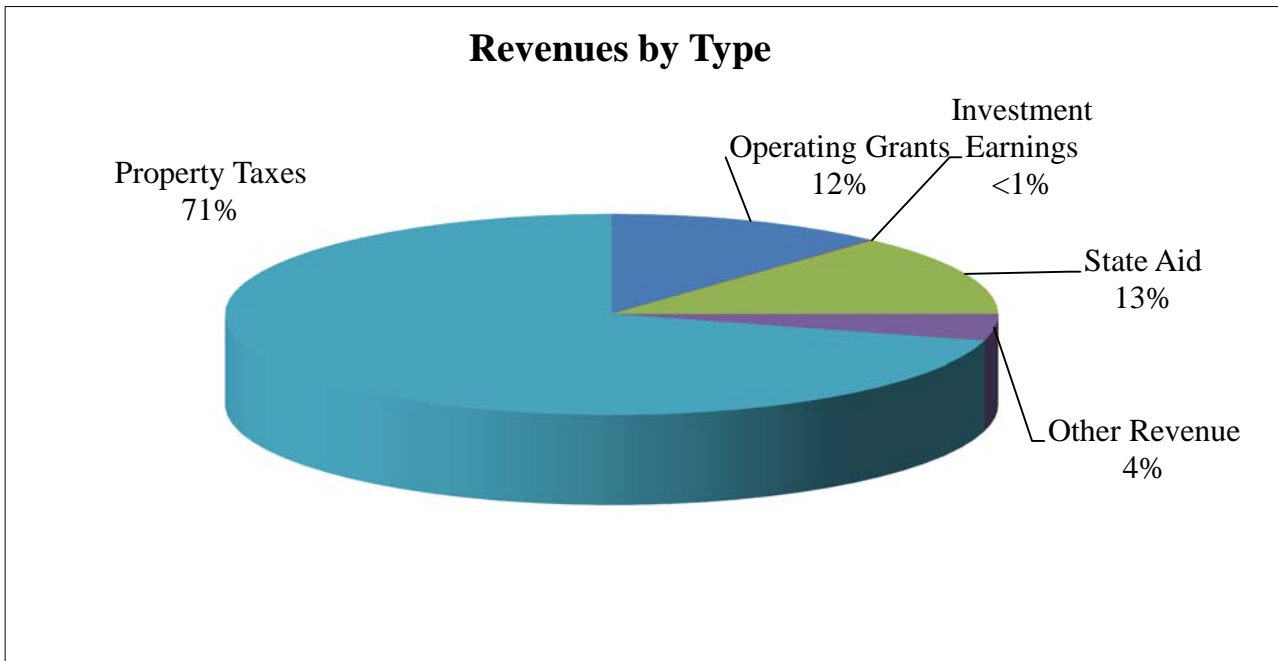
Governmental Activities

Governmental activities increased the District's net position by \$6,720,248 during the year ended June 30, 2013. Key elements of this increase are as follows:

Georgetown Independent School District's Changes in Net Position

	Governmental Activities as of	
	June 30, 2012	June 30, 2013
Revenues:		
Program Revenues:		
Charges for services	\$ 3,998,165	\$ 4,444,763
Operating grants and contributions	15,467,248	13,000,306
General Revenues:		
Property taxes	73,573,041	78,241,042
State aid - formula grants	17,226,476	14,567,460
Investment earnings	289,810	90,717
Miscellaneous	634,025	316,165
Total Revenues	<u>111,188,765</u>	<u>110,660,453</u>
Expenses:		
Instruction and instructional resources	56,568,556	54,356,226
Curriculum, instructional and school leadership	8,439,760	8,167,094
Student support services	7,964,977	7,577,434
Food services	5,157,547	5,438,444
Extracurricular activities	2,799,733	3,351,619
General administration	2,464,314	2,432,183
Support services	10,994,503	11,365,648
Community services	1,358,299	1,389,262
Interest on long-term debt, as restated	11,293,226	8,695,617
Facilities acquisition and construction	8,104	13,277
Other	859,102	1,153,401
Total Expenses, as restated	<u>107,908,121</u>	<u>103,940,205</u>
Change in Net Assets, as restated	3,280,644	6,720,248
Net Position Beginning, as restated	<u>48,395,466</u>	<u>51,676,110</u>
Net Position Ending, as restated	<u>\$ 51,676,110</u>	<u>\$ 58,396,358</u>

Property taxes revenues increased from the prior year primarily due to an increase in tax rates for the 2012 tax year. Overall property taxes account for 71% of the District's revenue sources while State funding represents 13%. Operating grants account for 12% 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 \$30,088,385. Of this amount \$14,275,779 constitutes unassigned fund balance available for use in the General Fund activities at the District’s discretion, and an additional \$16,693 in General Fund fund balance is nonspendable due to being in the form of prepaid items 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 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 18% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$8,943,293, all of which is restricted for payment of debt service.

The Capital Projects Fund had a total fund balance of \$6,293,999, 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 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, 2013, amounts to \$238,330,645 (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	\$ 11,905,085
Construction in progress	143,116,194
Buildings and improvements	80,278,079
Furniture and equipment	3,031,287
Total	\$ 238,330,645

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 \$198,860,000. 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 9 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 2013 of 51,281 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 current fiscal year budget and tax rates. One of the significant factors was the second year of a reduction in state aid to the District in the amount of \$2.4 million. Another factor was the loss of 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 \$0.04 cent Tax Ratification Election on October 9, 2012 that generated approximately \$2.2 million in local maintenance and operation revenue for the current fiscal year.

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 slight growth in student enrollment for the current fiscal year, and 2.1% increase in property values. However, the actual student enrollment was slightly less than predicted and property values increased by 3.6%. The District eliminated 70 positions. The 2012 tax rate was \$1.398 (\$1.08 for maintenance and operations and \$0.318 for debt service). This included an increase of \$0.04 for maintenance and operations due to the Tax Ratification Election. District staff did not receive a pay increase for the current fiscal year, and the employer insurance contribution remained the same as the prior fiscal year of \$3,828 per year for all employees participating in the health insurance program. The District is considered a Chapter 41 district and paid \$306,207 State recapture in the current fiscal year.

The District expects an increase in state funding in the amount of \$1.3 million in the 2013-14 school year. The 2013-14 budget includes a pay increase of 3% for teachers, para-professionals and support staff, and 2% for administrators. The employer insurance contributions will increase to \$3,900 per year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and temporary investments	\$ 40,860,106
Receivables:	
Property taxes - delinquent	2,407,599
Allowance for uncollectible taxes	(48,152)
Due from other governments	4,022,956
Other	321,683
Due from fiduciary funds	20,779
Inventory	256,438
Prepaid items	2,600
Noncurrent assets-	
Capital assets (net of accumulated depreciation):	
Land	11,905,085
Construction in progress	143,116,194
Buildings and improvements	80,278,079
Furniture and equipment	3,031,287
Total assets	<u>286,174,654</u>
DEFERRED OUTFLOWS OF RESOURCES -	
Deferred charges on refundings	<u>7,763,128</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	4,385,376
Payroll deductions and withholdings payable	12,875
Accrued wages payable	7,663,651
Bond interest payable	3,241,033
Bonds payable	7,675,000
Due to other governments	1,170
Unearned revenue	4,337,599
Noncurrent liabilities:	
Bonds payable	207,915,767
Accretion payable	308,953
Total liabilities	<u>235,541,424</u>
NET POSITION:	
Net investment in capital assets	36,797,005
Restricted for:	
Debt service	5,978,263
Food service	208,330
Unrestricted	15,412,760
Total net position	<u>\$ 58,396,358</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, 2013

<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 Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction	\$ 53,352,683	2,020,474	7,295,190	(44,037,019)
Instructional resources and media services	1,003,543	-	43,072	(960,471)
Curriculum and staff development	562,117	33,201	228,814	(300,102)
Instructional leadership	1,601,551	4,871	211,997	(1,384,683)
School leadership	6,003,426	-	488,246	(5,515,180)
Guidance, counseling, and evaluation services	2,678,692	-	431,406	(2,247,286)
Social work services	184,409	2,328	97,797	(84,284)
Health services	1,091,050	-	98,803	(992,247)
Student transportation	3,623,283	-	140,603	(3,482,680)
Food services	5,438,444	1,756,441	3,176,659	(505,344)
Extracurricular activities	3,351,619	565,046	79,026	(2,707,547)
General administration	2,432,183	62,402	93,142	(2,276,639)
Facilities maintenance and operations	9,623,556	-	428,882	(9,194,674)
Security and monitoring services	317,349	-	3,001	(314,348)
Data processing services	1,424,743	-	52,759	(1,371,984)
Community services	1,389,262	-	130,909	(1,258,353)
Debt service	8,695,617	-	-	(8,695,617)
Facilities acquisition and construction	13,277	-	-	(13,277)
Incremental costs related to Chapter 41	306,207	-	-	(306,207)
Payments to juvenile justice alternative education programs	246,697	-	-	(246,697)
Other intergovernmental charges	600,497	-	-	(600,497)
Total governmental activities	\$ 103,940,205	4,444,763	13,000,306	(86,495,136)
General revenues:				
Property taxes				\$ 78,241,042
State aid-formula grants				14,567,460
Investment earnings				90,717
Miscellaneous				316,165
Total general revenues				93,215,384
Change in net position				6,720,248
Net position - beginning, as restated				51,676,110
Net position - ending				\$ 58,396,358

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash and temporary investments	\$ 20,826,305	8,701,793	9,998,037	1,333,971	40,860,106
Receivables:					
Property taxes - delinquent	1,893,059	514,540	-	-	2,407,599
Allowance for uncollectible taxes	(37,861)	(10,291)	-	-	(48,152)
Due from other governments	2,970,982	-	-	1,051,974	4,022,956
Due from other funds	1,360,026	14,642	-	-	1,374,668
Other	144,391	-	-	177,292	321,683
Inventory	14,093	-	-	242,345	256,438
Prepaid items	2,600	-	-	-	2,600
Total assets	<u>\$ 27,173,595</u>	<u>9,220,684</u>	<u>9,998,037</u>	<u>2,805,582</u>	<u>49,197,898</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 1,039,930	1,388	3,200,009	144,049	4,385,376
Payroll deductions and withholdings payable	12,875	-	-	-	12,875
Accrued wages payable	7,084,739	-	-	578,912	7,663,651
Due to other funds	14,642	-	499,551	839,696	1,353,889
Due to other governments	-	-	-	1,170	1,170
Unearned revenue	3,649,987	-	4,478	683,134	4,337,599
Total liabilities	<u>11,802,173</u>	<u>1,388</u>	<u>3,704,038</u>	<u>2,246,961</u>	<u>17,754,560</u>
Deferred inflows of resources -					
Deferred revenue - property taxes	<u>1,078,950</u>	<u>276,003</u>	<u>-</u>	<u>-</u>	<u>1,354,953</u>
Fund balances:					
Nonspendable:					
Inventory	14,093	-	-	-	14,093
Prepaid items	2,600	-	-	-	2,600
Restricted for:					
Debt service	-	8,943,293	-	-	8,943,293
Authorized construction	-	-	6,293,999	-	6,293,999
Food service	-	-	-	208,330	208,330
Committed to-					
Campus activities	-	-	-	250,124	250,124
Assigned to:					
Local grants	-	-	-	16,306	16,306
SSA - JJAEP	-	-	-	83,861	83,861
Unassigned	14,275,779	-	-	-	14,275,779
Total fund balances	<u>14,292,472</u>	<u>8,943,293</u>	<u>6,293,999</u>	<u>558,621</u>	<u>30,088,385</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 27,173,595</u>	<u>9,220,684</u>	<u>9,998,037</u>	<u>2,805,582</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 238,330,645
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,354,953
The following liabilities and deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and contractual obligations payable, including premiums	(215,655,974)
Less: Issuance discount	65,207
Less: Deferred charges on refundings	7,763,128
Interest payable	(3,241,033)
Accretion payable	(308,953)
Net position of governmental activities	<u>\$ 58,396,358</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, 2013

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Local and intermediate sources	\$ 62,769,300	17,808,018	60,110	3,539,782	84,177,210
State program revenues	18,131,160	-	-	685,243	18,816,403
Federal program revenues	953,422	-	-	6,690,410	7,643,832
Total revenues	<u>81,853,882</u>	<u>17,808,018</u>	<u>60,110</u>	<u>10,915,435</u>	<u>110,637,445</u>
EXPENDITURES:					
Current:					
Instruction	45,067,903	-	738,704	4,855,525	50,662,132
Instructional resources and media services	823,536	-	75,723	-	899,259
Curriculum and staff development	310,470	-	-	251,647	562,117
Instructional leadership	1,441,168	-	-	153,569	1,594,737
School leadership	5,697,615	-	-	185,412	5,883,027
Guidance, counseling, and evaluation services	2,362,088	-	-	316,604	2,678,692
Social work services	89,378	-	-	95,031	184,409
Health services	1,030,829	-	-	42,426	1,073,255
Student transportation	3,394,081	-	-	-	3,394,081
Food services	-	-	-	4,994,367	4,994,367
Extracurricular activities	2,518,189	-	662,881	2,440	3,183,510
General administration	2,352,646	-	874	21,422	2,374,942
Facilities maintenance and operations	9,574,875	-	-	-	9,574,875
Security and monitoring services	317,349	-	-	-	317,349
Data processing services	1,412,790	-	-	2,400	1,415,190
Community services	1,311,024	-	-	63,769	1,374,793
Debt service	29,065	17,088,764	-	-	17,117,829
Facilities acquisition and construction	13,277	-	21,081,579	-	21,094,856
Incremental costs related to Chapter 41	306,207	-	-	-	306,207
Payments to juvenile justice alternative education programs	246,697	-	-	-	246,697
Other intergovernmental charges	600,497	-	-	-	600,497
Total expenditures	<u>78,899,684</u>	<u>17,088,764</u>	<u>22,559,761</u>	<u>10,984,612</u>	<u>129,532,821</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,954,198</u>	<u>719,254</u>	<u>(22,499,651)</u>	<u>(69,177)</u>	<u>(18,895,376)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of property	22,016	-	-	-	22,016
Transfers in	-	-	-	6,553	6,553
Transfers out	(6,553)	-	-	-	(6,553)
Insurance recovery	16,645	-	-	-	16,645
Proceeds of refunding bonds	-	73,750,000	-	-	73,750,000
Premium on sale of bonds	-	10,961,771	-	-	10,961,771
Payments to refunded bond escrow agent	-	(84,014,122)	-	-	(84,014,122)
Total other financing sources, net	<u>32,108</u>	<u>697,649</u>	<u>-</u>	<u>6,553</u>	<u>736,310</u>
Net change in fund balances	2,986,306	1,416,903	(22,499,651)	(62,624)	(18,159,066)
Fund balances - beginning	11,306,166	7,526,390	28,793,650	621,245	48,247,451
Fund balances - ending	<u>\$ 14,292,472</u>	<u>8,943,293</u>	<u>6,293,999</u>	<u>558,621</u>	<u>30,088,385</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, 2013

Net change in fund balances-total governmental funds \$ (18,159,066)

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	22,682,025
Depreciation expense	(5,511,621)

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	(15,653)
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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 position.

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

Bond proceeds, including premiums	(84,711,771)
Repayment of bond principal	6,390,000
Payments to refunded bond escrow agent	84,014,122

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	426,365
Amortization of bond premiums	1,845,574
Amortization of bond issuance discounts	(32,603)
Amortization of deferred charges on refunding	(483,203)
Change in accretion payable	276,079

Change in net position of governmental activities	<u>\$ 6,720,248</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Local and intermediate sources	\$ 58,929,177	61,739,425	62,769,300	1,029,875
State program revenues	19,127,252	18,290,950	18,131,160	(159,790)
Federal program revenues	770,000	901,000	953,422	52,422
Total revenues	<u>78,826,429</u>	<u>80,931,375</u>	<u>81,853,882</u>	<u>922,507</u>
EXPENDITURES:				
Current:				
Instruction	44,983,449	45,051,547	45,067,903	(16,356)
Instructional resources and media services	858,794	859,460	823,536	35,924
Curriculum and staff development	309,675	324,509	310,470	14,039
Instructional leadership	1,443,895	1,453,621	1,441,168	12,453
School leadership	5,626,452	5,753,482	5,697,615	55,867
Guidance, counseling, and evaluation services	2,685,805	2,411,860	2,362,088	49,772
Social work services	119,998	95,998	89,378	6,620
Health services	1,065,857	1,066,857	1,030,829	36,028
Student transportation	3,519,394	3,504,394	3,394,081	110,313
Food services	1,849	1,849	-	1,849
Extracurricular activities	2,294,311	2,559,554	2,518,189	41,365
General administration	2,375,926	2,356,507	2,352,646	3,861
Facilities maintenance and operations	10,296,609	10,261,454	9,574,875	686,579
Security and monitoring services	230,220	341,320	317,349	23,971
Data processing services	1,421,044	1,464,764	1,412,790	51,974
Community services	1,306,825	1,336,825	1,311,024	25,801
Debt service	62,000	30,000	29,065	935
Facilities acquisition and construction	-	14,000	13,277	723
Incremental costs related to Chapter 41	-	306,495	306,207	288
Payments to juvenile justice alternative education programs	270,000	247,000	246,697	303
Other intergovernmental charges	608,000	608,000	600,497	7,503
Total expenditures	<u>79,480,103</u>	<u>80,049,496</u>	<u>78,899,684</u>	<u>1,149,812</u>
Excess (deficiency) of revenues over (under) expenditures	(653,674)	881,879	2,954,198	2,072,319
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of property	-	33,605	22,016	(11,589)
Insurance recovery	-	-	16,645	16,645
Transfers out	-	(6,553)	(6,553)	-
Total other financing sources, net	<u>-</u>	<u>27,052</u>	<u>32,108</u>	<u>5,056</u>
Net change in fund balance	(653,674)	908,931	2,986,306	2,077,375
Fund balance - beginning	11,306,166	11,306,166	11,306,166	-
Fund balance - ending	<u>\$ 10,652,492</u>	<u>12,215,097</u>	<u>14,292,472</u>	<u>2,077,375</u>

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

GEORGETOWN INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

ASSETS-

Cash and temporary investments	\$ 851,471
Total assets	<u>\$ 851,471</u>

LIABILITIES:

Accounts payable	\$ 830,692
Due to other funds	<u>20,779</u>
Total liabilities	<u>\$ 851,471</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, 2013

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 position 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.

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 instruction function in the General Fund exceeded budgeted amounts for the year ended June 30, 2013 by \$16,356.

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, 2013 that were provided for in the subsequent year's budget.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position 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 - 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 unearned revenue. Revenue is recognized at fair value when commodities are distributed to the schools.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items 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 10 for additional information on those fund balance classifications.

Deferred Outflows and Inflows of Resources - The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District’s net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District’s acquisition of net position applicable to a future reporting period.

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes 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 recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 18 for the prior period adjustment related to the adoption of GASB Statement No. 65.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. The objective of GASB Statement No. 68 is to improve accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through certain trusts. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. GASB Statement No. 68 also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB Statement No. 68 addresses the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Management is evaluating the effects that the full implementation of GASB Statement No. 68 will have on its financial statements for the year ended June 30, 2015.

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, 2013, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$5,698,259 and the bank balance was \$7,389,731.

The District's deposits with financial institutions at June 30, 2013 and during the year ended June 30, 2013 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 \$15,642,485.
- c) Largest cash, savings and time deposit combined account balance amounted to \$11,432,201 and occurred during the month of August 2012.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$373,706.

Investments held at June 30, 2013 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local governmental investment pools:			
TexPool	\$ 21,080,461	1	AAAm
Lone Star	<u>14,932,857</u>	1	AAAf
Total	<u>\$ 36,013,318</u>		

The District had investments in two external local government investment pools at June 30, 2013: 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 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, 2013, investments were included in local government investment pools in compliance with the District's investment policy.

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, 2013, 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, 2013, all of the District's investments were with local government investment pools which are excluded from the concentration of credit risk calculation.

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. At June 30, 2013, 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, 2012, upon which the October 2012 levy was based, was \$5,758,004,414. The District levied taxes based on a combined tax rate of \$1.398 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 \$476,500 are required to take action to bring their wealth down to the equalized State level. During the year ended June 30, 2013, the District was required to pay \$306,207 to purchase attendance credits to equalize its wealth per weighted average daily attendance ("WADA"). This purchase of WADA was made to the TEA and was incorporated into the District's budget.

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 fiscal year 2013 tax levy. The District increased its maintenance and operations tax rate by an additional four cents for the fiscal year 2013 tax levy due to a Tax Ratification Election.

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, 2013.

	General Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 2,970,982	-	2,970,982
Federal and state grants	-	1,051,974	1,051,974
Total	<u>\$ 2,970,982</u>	<u>1,051,974</u>	<u>4,022,956</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, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 839,696
	Capital Projects Fund	499,551
	Fiduciary Fund	20,779
Debt Service Fund	General Fund	14,642
Total		<u>\$ 1,374,668</u>

During the year, the General Fund transferred \$6,553 to a Nonmajor Governmental Fund to supplement operations.

6. UNEARNED REVENUE

At June 30, 2013, deferred revenue in governmental funds consisted of the following:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ 3,641,118	-	251,611	3,892,729
SSA - JJAEP	-	-	431,523	431,523
Other	8,869	4,478	-	13,347
Total	<u>\$ 3,649,987</u>	<u>4,478</u>	<u>683,134</u>	<u>4,337,599</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,396,578	508,507	-	11,905,085
Construction in progress	<u>60,662,142</u>	<u>21,850,476</u>	<u>(2,234,539)</u>	<u>80,278,079</u>
Total capital assets, not being depreciated	<u>72,058,720</u>	<u>22,358,983</u>	<u>(2,234,539)</u>	<u>92,183,164</u>
Capital assets, being depreciated:				
Buildings and improvements	202,066,687	2,234,539	-	204,301,226
Furniture and equipment	<u>8,304,430</u>	<u>323,042</u>	<u>-</u>	<u>8,627,472</u>
Total capital assets being depreciated	<u>210,371,117</u>	<u>2,557,581</u>	<u>-</u>	<u>212,928,698</u>
Less accumulated depreciation for:				
Buildings and improvements	(56,016,142)	(5,168,890)	-	(61,185,032)
Furniture and equipment	<u>(5,253,454)</u>	<u>(342,731)</u>	<u>-</u>	<u>(5,596,185)</u>
Total accumulated depreciation	<u>(61,269,596)</u>	<u>(5,511,621)</u>	<u>-</u>	<u>(66,781,217)</u>
Total capital assets, being depreciated, net	<u>149,101,521</u>	<u>(2,954,040)</u>	<u>-</u>	<u>146,147,481</u>
Governmental activities capital assets, net	<u>\$ 221,160,241</u>	<u>19,404,943</u>	<u>(2,234,539)</u>	<u>238,330,645</u>

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

Governmental activities:

Instruction	\$ 3,463,457
Instruction resources and media services	180,007
Instructional leadership	6,814
School leadership	120,399
Health services	17,795
Student transportation	229,202
Food services	444,077
Extracurricular activities	830,990
General administration	57,241
Facilities maintenance and operations	137,617
Data processing services	9,553
Community services	<u>14,469</u>
Total depreciation expense - governmental activities	<u><u>\$ 5,511,621</u></u>

8. DEFERRED OUTFLOW OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended June 30, 2013:

	Beginning Balance	Additions	Retirements	Ending Balance
Deferred charges on refundings	<u>\$ 2,032,209</u>	<u>6,214,122</u>	<u>(483,203)</u>	<u>7,763,128</u>

9. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	Beginning Balance	Additions	Retirements	Ending Balance
General obligation bonds	\$ 209,300,000	73,750,000	(84,190,000)	198,860,000
Premiums on bonds	7,679,777	10,961,771	(1,845,574)	16,795,974
Issuance discount on bonds	<u>(97,810)</u>	<u>-</u>	<u>32,603</u>	<u>(65,207)</u>
Total debt payable - principal	216,881,967	84,711,771	(86,002,971)	215,590,767
Accretion on capital appreciation bonds	<u>585,032</u>	<u>8,921</u>	<u>(285,000)</u>	<u>308,953</u>
Total debt payable	<u><u>\$ 217,466,999</u></u>	<u><u>84,720,692</u></u>	<u><u>(86,287,971)</u></u>	<u><u>215,899,720</u></u>

Bonded debt consists of the following at June 30, 2013:

General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 6-30-13	Due Within One Year
2004	9-20-04	\$ 34,454,977	2014	2.00 - 5.00%	\$ 4,535,000	\$ 4,535,000
2005	2-21-05	8,795,000	2017	3.00 - 5.00%	7,175,000	-
2006	1-17-06	95,700,000	2015	3.50 - 5.00%	3,450,000	1,665,000
2010	5-19-10	1,830,000	2022	2.00 - 3.38%	1,755,000	175,000
2011	1-27-11	88,325,000	2035	2.00 - 5.00%	88,325,000	500,000
2011	4-27-11	2,905,000	2022	2.00 - 3.25%	2,745,000	280,000
2012	2-10-12	17,125,000	2035	1.20 - 4.75%	17,125,000	-
2013-A	2-20-13	61,195,000	2026	1.00 - 5.00%	61,195,000	325,000
2013-B	2-20-13	12,555,000	2020	0.44 - 3.00%	12,555,000	195,000
Total		<u>\$ 322,884,977</u>			<u>\$ 198,860,000</u>	<u>\$ 7,675,000</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 2012 was \$0.318.

On February 20, 2013, the District issued \$61,195,000 of 2013-A Refunding Bonds to advance refund \$65,135,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$70,802,720 (after payment of \$515,200 in underwriting fees, insurance, and other issuance costs) were used for the following: \$70,764,951 was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$37,769 was deposited in the Debt Service Fund for future issuance costs. As a result, \$65,135,000 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 \$5,629,951. The amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding resulted in an economic gain of \$8,135,436.

On February 20, 2013, the District issued \$12,555,000 of 2013-B Refunding Bonds to advance refund \$12,665,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$13,264,102 (after payment of \$129,749 in underwriting fees, insurance, and other issuance costs) were used for the following: \$13,249,171 was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$14,931 was deposited in the debt service fund for future issuance costs. As a result, \$12,665,000 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 \$584,171. The amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding resulted in an economic gain of \$1,046,910.

The annual principal installments for each of the outstanding issues vary each year. As of June 30, 2013, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2014	\$ 7,675,000	8,576,759	16,251,759
2015	8,075,000	8,276,018	16,351,018
2016	8,660,000	7,939,516	16,599,516
2017	9,290,000	7,545,288	16,835,288
2018	9,640,000	7,183,725	16,823,725
2019 - 2023	47,395,000	30,561,032	77,956,032
2024 - 2028	43,545,000	19,858,225	63,403,225
2029 - 2033	43,965,000	10,343,631	54,308,631
2034 - 2035	20,615,000	1,012,375	21,627,375
Total	<u>\$ 198,860,000</u>	<u>101,296,569</u>	<u>300,156,569</u>

The outstanding Series 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 and prior year, the District defeased outstanding general obligation bonds through the Series 2012, Series 2013-A, and Series 2013-B 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, 2013 outstanding bonds of \$91,010,000 are considered defeased.

As of June 30, 2013, general obligation bonds of \$47,200,000 were authorized by voters of the District, but unissued.

On July 16, 2012, the District issued a Tax and Revenue Anticipation Note, Series 2012 (the "Note") in the principal amount of \$6,795,000. The Note was used for the purpose of paying maintenance expenditures of the District. The Note and accrued interest was repaid in full on January 15, 2013, the maturity date, with available funds and maintenance and operations tax revenue of the District. Interest and issuance expenditures related to the Note were \$29,065 for the year ended June 30, 2013.

10. 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.

11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended June 30, 2013, revenues from local and intermediate sources in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 60,173,671	17,718,578	-	-	77,892,249
Food service	-	-	-	1,756,441	1,756,441
Investment income	42,148	7,519	40,140	910	90,717
Penalties, interest, and other tax related income	282,525	81,921	-	-	364,446
Tuition and fees from patrons	1,406,970	-	-	-	1,406,970
Co-curricular student activities	565,046	-	-	-	565,046
Other	298,940	-	19,970	1,782,431	2,101,341
Total	\$ 62,769,300	17,808,018	60,110	3,539,782	84,177,210

12. 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, 2013, contributions of \$3,563,700 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 6.4% of the District's covered payroll. The District's employees' contributions to the System for the years ended June 30, 2013, 2012, and 2011 were approximately \$3,853,000, \$4,064,000, and \$4,368,000, 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, 2013, 2012, and 2011 were approximately \$490,000, \$608,000, and \$760,000, respectively, which was equal to the required contributions for the year.

13. 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. For the year ended June 30, 2013, reimbursements of \$226,678 were received by the System and allocated to the District.

14. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the System. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.02 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The System issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the System at 1000 Red River Street, Austin, Texas 78701.

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2011-2013.

Contribution Rates:

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2013	.65%	\$ 391,315	0.5%	\$ 301,011	.55%	\$ 331,112
2012	.65%	412,719	1.0%	634,953	.55%	349,224
2011	.65%	443,595	1.0%	682,454	.55%	375,350

15. 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, 2013, 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.

16. 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	\$ 414,770
Georgetown ISD	246,697
Leander ISD	209,139
Taylor ISD	91,050
Liberty Hill ISD	61,367
Hutto ISD	60,700
Florence ISD	17,460
Jarrell ISD	3,896
Bartlett ISD	1,559
Thrall ISD	893
Total	<u>\$ 1,107,531</u>

17. 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, 2013, 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, 2013, the District is also committed under construction contracts with a remaining balance of approximately \$2,142,626.

18. PRIOR PERIOD ADJUSTMENT

In accordance with the adoption of GASB Statement No. 65 in the current fiscal year, bond issuance costs previously reported as assets in the statement of net position and amortized over the life of the related debt are now recognized as an expense in the year in which the bonds are sold. The effect of this change in accounting principle is as follows:

Net position - June 30, 2012	\$ 53,512,000
Effect of adjustments	<u>(1,835,890)</u>
Net position - June 30, 2012, as restated	<u>\$ 51,676,110</u>

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

	211	212	224	225	240/242	244	255	263	280	287	289	385
	ESEA Title I, Part A Improving Basic Programs	ESEA Title I, Part C Education of Migratory Children	IDEA - Part B, Formula	IDEA - Part B, Preschool	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	Education Jobs Fund	Summer School LEP	State Supplemental Visually Impaired
Assets:												
Cash and temporary investments	\$ -	1,170	-	-	364,901	-	-	-	-	-	-	-
Receivables:												
Due from other governments	332,772	-	603,257	7,781	49,349	13,832	15,541	20,372	1,437	-	-	3,493
Other	410	-	-	-	158,643	-	-	-	-	-	-	-
Inventory	-	-	-	-	242,345	-	-	-	-	-	-	-
Total assets	<u>\$ 333,182</u>	<u>1,170</u>	<u>603,257</u>	<u>7,781</u>	<u>815,238</u>	<u>13,832</u>	<u>15,541</u>	<u>20,372</u>	<u>1,437</u>	<u>-</u>	<u>-</u>	<u>3,493</u>
Liabilities and fund balances:												
Liabilities:												
Accounts payable	\$ 2,931	-	4,344	-	37,450	-	-	6,362	495	-	-	240
Accrued wages payable	98,565	-	169,571	3,546	203,591	-	-	1,388	-	-	-	-
Due to other funds	231,686	-	429,342	4,235	123,523	13,832	15,541	12,622	942	-	-	3,253
Due to other governments	-	1,170	-	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	242,344	-	-	-	-	-	-	-
Total liabilities	<u>333,182</u>	<u>1,170</u>	<u>603,257</u>	<u>7,781</u>	<u>606,908</u>	<u>13,832</u>	<u>15,541</u>	<u>20,372</u>	<u>1,437</u>	<u>-</u>	<u>-</u>	<u>3,493</u>
Fund balances:												
Restricted	-	-	-	-	208,330	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 333,182</u>	<u>1,170</u>	<u>603,257</u>	<u>7,781</u>	<u>815,238</u>	<u>13,832</u>	<u>15,541</u>	<u>20,372</u>	<u>1,437</u>	<u>-</u>	<u>-</u>	<u>3,493</u>

(continued)

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2013

	404	410	459	461	499	
	Student Success Initiative	State Instructional Materials	SSA JJAEP	Campus Activity	Local Grants	Total Special Revenue Funds
Assets:						
Cash and temporary investments	\$ -	84,238	617,970	258,123	7,569	1,333,971
Receivables:						
Due from other governments	4,140	-	-	-	-	1,051,974
Other	-	-	-	465	17,774	177,292
Inventory	-	-	-	-	-	242,345
Total assets	<u>\$ 4,140</u>	<u>84,238</u>	<u>617,970</u>	<u>258,588</u>	<u>25,343</u>	<u>2,805,582</u>
Liabilities and fund balances:						
Liabilities:						
Accounts payable	\$ -	75,800	335	7,055	9,037	144,049
Accrued wages payable	-	-	102,251	-	-	578,912
Due to other funds	3,311	-	-	1,409	-	839,696
Due to other governments	-	-	-	-	-	1,170
Unearned revenue	829	8,438	431,523	-	-	683,134
Total liabilities	<u>4,140</u>	<u>84,238</u>	<u>534,109</u>	<u>8,464</u>	<u>9,037</u>	<u>2,246,961</u>
Fund balances:						
Restricted	-	-	-	-	-	208,330
Committed	-	-	-	250,124	-	250,124
Assigned	-	-	83,861	-	16,306	100,167
Total fund balances	<u>-</u>	<u>-</u>	<u>83,861</u>	<u>250,124</u>	<u>16,306</u>	<u>558,621</u>
Total liabilities and fund balances	<u>\$ 4,140</u>	<u>84,238</u>	<u>617,970</u>	<u>258,588</u>	<u>25,343</u>	<u>2,805,582</u>

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2013

	211	212	224	225	240/242	244	255	263	280	287	289	385
	ESEA Title I, Part A Improving Basic Programs	ESEA Title I, Part C Education of Migratory Children	IDEA - Part B, Formula	IDEA - Part B, Preschool	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	Education Jobs Fund	Summer School LEP	State Supplemental Visually Impaired
Revenues:												
Local and intermediate sources	\$ -	-	-	-	1,771,805	-	-	-	-	-	-	-
State program revenues	-	-	-	-	26,893	-	-	-	-	-	-	3,493
Federal program revenues	1,401,335	-	1,567,201	23,029	3,149,635	104,679	201,151	124,820	1,787	108,966	7,807	-
Total revenues	1,401,335	-	1,567,201	23,029	4,948,333	104,679	201,151	124,820	1,787	108,966	7,807	3,493
Expenditures:												
Instruction	1,278,919	-	1,248,331	23,029	-	72,886	11,944	74,340	-	108,966	7,807	3,493
Curriculum and staff development	17,756	-	4,999	-	-	27,252	136,184	30,227	-	-	-	-
Instructional leadership	73,229	-	1,962	-	-	2,101	53,023	18,100	-	-	-	-
School leadership	-	-	-	-	-	-	-	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	267,286	-	-	-	-	-	-	-	-	-
Social work services	14,438	-	-	-	-	-	-	-	1,787	-	-	-
Health services	-	-	-	-	-	-	-	-	-	-	-	-
Food services	-	-	-	-	4,994,367	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	2,440	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-	-	-	-	-	-
Data processing services	-	-	-	-	-	-	-	-	-	-	-	-
Community services	16,993	-	44,623	-	-	-	-	2,153	-	-	-	-
Total expenditures	1,401,335	-	1,567,201	23,029	4,994,367	104,679	201,151	124,820	1,787	108,966	7,807	3,493
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	(46,034)	-	-	-	-	-	-	-
Other financing sources -												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Fund balances - beginning	-	-	-	-	254,364	-	-	-	-	-	-	-
Fund balances - ending	\$ -	-	-	-	208,330	-	-	-	-	-	-	-

(continued)

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
Year Ended June 30, 2013

	404	410	459	461	499	Total Special Revenue Funds
	Student Success Initiative	State Instructional Materials	SSA JJAEP	Campus Activity	Local Grants	
Revenues:						
Local and intermediate sources	\$ -	-	1,107,531	424,427	236,019	3,539,782
State program revenues	17,057	637,800	-	-	-	685,243
Federal program revenues	-	-	-	-	-	6,690,410
Total revenues	17,057	637,800	1,107,531	424,427	236,019	10,915,435
Expenditures:						
Instruction	17,057	637,800	721,802	448,432	200,719	4,855,525
Curriculum and staff development	-	-	99	-	35,130	251,647
Instructional leadership	-	-	-	-	5,154	153,569
School leadership	-	-	185,412	-	-	185,412
Guidance, counseling and evaluation services	-	-	49,318	-	-	316,604
Social work services	-	-	76,343	-	2,463	95,031
Health services	-	-	42,426	-	-	42,426
Food services	-	-	-	-	-	4,994,367
Extracurricular activities	-	-	-	-	-	2,440
General administration	-	-	14,500	6,922	-	21,422
Data processing services	-	-	2,400	-	-	2,400
Community services	-	-	-	-	-	63,769
Total expenditures	17,057	637,800	1,092,300	455,354	243,466	10,984,612
Excess (deficiency) of revenues over (under) expenditures	-	-	15,231	(30,927)	(7,447)	(69,177)
Other financing sources -						
Transfers in	-	-	-	-	6,553	6,553
Fund balances - beginning	-	-	68,630	281,051	17,200	621,245
Fund balances - ending	\$ -	-	83,861	250,124	16,306	558,621

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, 2013

	<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	\$ 17,326,174	17,591,174	17,808,018	216,844
Total revenues	<u>17,326,174</u>	<u>17,591,174</u>	<u>17,808,018</u>	<u>216,844</u>
EXPENDITURES-				
Debt service	<u>16,399,987</u>	<u>17,097,636</u>	<u>17,088,764</u>	<u>8,872</u>
Total expenditures	<u>16,399,987</u>	<u>17,097,636</u>	<u>17,088,764</u>	<u>8,872</u>
Excess of revenues over expenditures	926,187	493,538	719,254	225,716
OTHER FINANCING SOURCES (USES):				
Proceeds of refunding bonds	-	73,750,000	73,750,000	-
Premium on sale of bonds	-	10,961,771	10,961,771	-
Payments to refunded bond escrow agent	<u>-</u>	<u>(84,014,122)</u>	<u>(84,014,122)</u>	<u>-</u>
Total other financing sources, net	<u>-</u>	<u>697,649</u>	<u>697,649</u>	<u>-</u>
Net change in fund balance	926,187	1,191,187	1,416,903	225,716
Fund balance - beginning	<u>7,526,390</u>	<u>7,526,390</u>	<u>7,526,390</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,452,577</u>	<u>8,717,577</u>	<u>8,943,293</u>	<u>225,716</u>

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Nonmajor Special Revenue Fund - Food Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2013

	<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	\$ 1,952,489	1,952,489	1,771,805	(180,684)
State program revenues	29,642	29,642	26,893	(2,749)
Federal program revenues	3,382,945	3,155,445	3,149,635	(5,810)
Total revenues	<u>5,365,076</u>	<u>5,137,576</u>	<u>4,948,333</u>	<u>(189,243)</u>
EXPENDITURES-				
Food services	<u>5,365,076</u>	<u>5,137,576</u>	<u>4,994,367</u>	<u>143,209</u>
Total expenditures	<u>5,365,076</u>	<u>5,137,576</u>	<u>4,994,367</u>	<u>143,209</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>(46,034)</u>	<u>(46,034)</u>
Fund balance - beginning	<u>254,364</u>	<u>254,364</u>	<u>254,364</u>	<u>-</u>
Fund balance - ending	<u>\$ 254,364</u>	<u>254,364</u>	<u>208,330</u>	<u>(46,034)</u>

OTHER SCHEDULES

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended June 30, 2013

Years Ended	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 6/30/2012	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 6/30/2013
	Maintenance	Debt Service							
2004 and prior	Various	Various	\$ -	\$ 160,358	-	1,230	217	(40,011)	118,900
2005	1.5000	0.2550	3,180,697,037	58,367	-	3,048	518	(642)	54,159
2006	1.5000	0.2550	3,442,301,140	14,457	-	4,690	797	(642)	8,328
2007	1.3700	0.2550	3,938,047,569	88,330	-	5,277	982	(649)	81,422
2008	1.0400	0.2500	4,543,813,023	59,941	-	3,757	903	(168)	55,113
2009	1.0400	0.2500	5,121,312,943	93,353	-	6,118	1,471	(201)	85,563
2010	1.0400	0.2500	5,222,131,705	135,110	-	(8,421)	(2,024)	(18,702)	126,853
2011	1.0400	0.2500	5,301,848,322	210,293	-	13,666	3,285	(37,451)	155,891
2012	1.0400	0.3180	5,478,150,116	1,426,129	-	891,198	272,501	(80,670)	181,760
2013	1.0800	0.3180	5,758,004,414	-	77,819,342	59,113,658	17,405,688	239,614	1,539,610
Totals				\$ 2,246,338	77,819,342	60,034,221	17,684,338	60,478	2,407,599

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures for Computation of Indirect Cost
for General and Special Revenue Funds
Year Ended June 30, 2013

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	\$ -	-	244,079	1,597,591	-	-	1,841,670
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	-	-	-	-	-	-	-
6212	Audit services	-	-	-	-	-	-	-
6213	Tax appraisal and collection	-	600,497	-	-	-	-	600,497
621x	Other professional services	-	-	-	9,654	-	2,400	12,054
6220	Tuition and transfer payments	-	-	-	-	-	-	-
6230	Education service centers	-	-	-	1,500	-	-	1,500
6240	Contr. maintenance and repairs	-	-	-	523	-	-	523
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	4,120	-	-	4,120
6290	Miscellaneous contr.	-	-	-	116,149	-	-	116,149
6320	Textbooks and reading	-	-	-	-	-	-	-
6330	Testing materials	-	-	-	-	-	-	-
63xx	Other supplies, materials	29	-	3,978	32,484	-	-	36,491
6410	Travel, subsistence, stipends	3,352	-	720	6,065	-	-	10,137
6420	Insurance and bonding costs	-	-	-	-	-	-	-
6430	Election costs	73,699	-	-	-	-	-	73,699
6490	Miscellaneous operating	13,180	-	3,659	96,386	-	14,500	127,725
6600	Capital outlay	-	-	-	13,083	-	-	13,083
6000 - TOTAL		<u>\$ 90,260</u>	<u>600,497</u>	<u>252,436</u>	<u>1,877,555</u>	<u>-</u>	<u>16,900</u>	<u>2,837,648</u>

Total expenditures/expenses for General and Special Revenue Funds
Less: Deductions of Unallowable Costs

\$ 89,884,296

FISCAL YEAR

Total Capital Outlay (6600)	\$ 508,550
Total Debt & Lease (6500)	29,065
Plant Maintenance (Function 51, 6100-6400)	9,450,359
Food (Function 35, 6341 and 6499)	32,270
Stipends (6413)	-
Total Indirect Cost	<u>1,877,555</u>

Subtotal

11,897,799

Net Allowed Direct Cost

\$ 77,986,497

CUMULATIVE

Total Cost of Buildings before Depreciation	\$ 204,301,226
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	\$ 8,627,472
Historical Cost of Furniture & Equipment Over 16 Years Old	\$ 2,687,398
Amount of Federal Money in Furniture & Equipment (Net of Above)	\$ 614,942

(8) Note A - \$141,830 in Function 53 expenditures and \$600,497 in Function 99 expenditures are included in this report on administrative costs.

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
EXHIBIT L-1 - REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of June 30, 2013

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year-end:	308,953

FEDERAL AWARDS SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Trustees of
Georgetown Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Georgetown Independent School District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

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

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

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

Maxwell Locke + Ritter LLP

Austin, Texas
October 14, 2013



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Trustees of
Georgetown Independent School District:

Report on Compliance for Each Major Federal Program

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, 2013. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Affiliated Company

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Maxwell Socha + Ritter LLP

Austin, Texas
October 14, 2013

GEORGETOWN INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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>			
13610101246904	ESEA Title I, Part A Improving Basic Programs	84.010A	\$ 1,401,335
136600012469046000	IDEA - Part B Formula	84.027A	1,567,201
136610012469046000	IDEA - Part B Pre-School	84.173A	23,029
13420006246904	Career and Technical Basic Grant	84.048A	104,679
13694501246904	ESEA Title II, Part A, Teacher and Principal Training and Recruiting	84.367A	201,151
13671001246904	Title III, Part A, English Language Acquisition and Language Enhancement	84.365A	124,820
11550101246904	Education Jobs Fund	84.410A	108,966
69551202	Summer School LEP	84.369A	7,807
<u>Passed Through Education Service Center Region 10-</u>			
00-006	Education for Homeless Children and Youth, Recovery Act	84.387A	<u>1,787</u>
TOTAL DEPARTMENT OF EDUCATION			3,540,775
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Texas Education Agency:</u>			
71301301	National School Lunch Program	10.555	2,156,313
71401301	School Breakfast Program	10.553	738,285
<u>Passed Through the Texas Department of Human Services-</u>			
	Non-cash assistance - Food Distribution Program	10.555	<u>255,037</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>3,149,635</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,690,410</u>

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, 2013

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, and the Food Distribution 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, and the Food Distribution 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, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: unmodified

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:

Special Education Cluster unmodified

Child Nutrition Cluster unmodified

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
	Special Education Cluster
84.027A	IDEA - Part B Formula
84.173A	IDEA - Part B Pre-School
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Donated Commodities

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, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings or questioned costs required to be reported in accordance with Government Auditing Standards for the year ended June 30, 2013. There was one finding required to be reported in accordance with Government Auditing Standards for the year ended June 30, 2012.

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 year related to capital projects that were not recorded in the proper reporting period.
- Effect: There was \$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 paid purchase orders from the budget year based on the invoice date. If a purchase order was entered into Skyward in the next budget year, but the invoice date showed work performed or items purchased in the previous budget year, Accounts Payable paid out of the previous budget year. All invoices were reviewed by the staff accountant or Director of Budget and Finance before the payment was made. Prior to the year-end closing of the accounts, any open purchase orders from the previous year were closed out.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133 for the year ended June 30, 2013. There were two findings required to be reported in accordance with section 510(a) of OMB Circular A-133 for the year ended June 30, 2012.

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 worked solely on Special Education activities funded by local, State, or federal funds completed semi-annual certifications.

- 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 worked solely on Special Education activities funded by local, State, or federal funds completed semi-annual certifications.