

**GEORGETOWN INDEPENDENT  
SCHOOL DISTRICT**

**Annual Financial Report  
for the Fiscal Year Ended  
June 30, 2011**



# GEORGETOWN INDEPENDENT SCHOOL DISTRICT

## Annual Financial Report

Year Ended June 30, 2011

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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, 2011 at a meeting of the Board of Trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

## **FINANCIAL SECTION**



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## INDEPENDENT AUDITORS' REPORT

The Board of Trustees of  
Georgetown Independent School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Georgetown Independent School District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to 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, 2011, the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Affiliated Companies

ML&R PERSONNEL SOLUTIONS LLC

*"The Resource for Direct Hire & Project Staffing"*

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Maxwell Toche + Pitter LLP

November 8, 2011

## 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, 2011. Please read it in conjunction with the District's basic financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total net assets at June 30, 2011 were approximately \$48.4 million.
- The fund balance for the General Fund at June 30, 2011 was approximately \$9.6 million, a decrease of approximately \$6.4 million from the prior year. The decrease was primarily due to prior period adjustments as discussed in Note 16 of the Notes to the Basic Financial Statements and a decrease in State revenue.
- During 2011, the District issued \$88.3 million in general obligation debt and \$2.9 million in Unlimited Tax Refunding Bonds to refund a portion of the District's Series 2001 Unlimited Tax School Building Bonds.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

**Fiduciary Funds** - The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

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

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

## Government-wide Financial Analysis

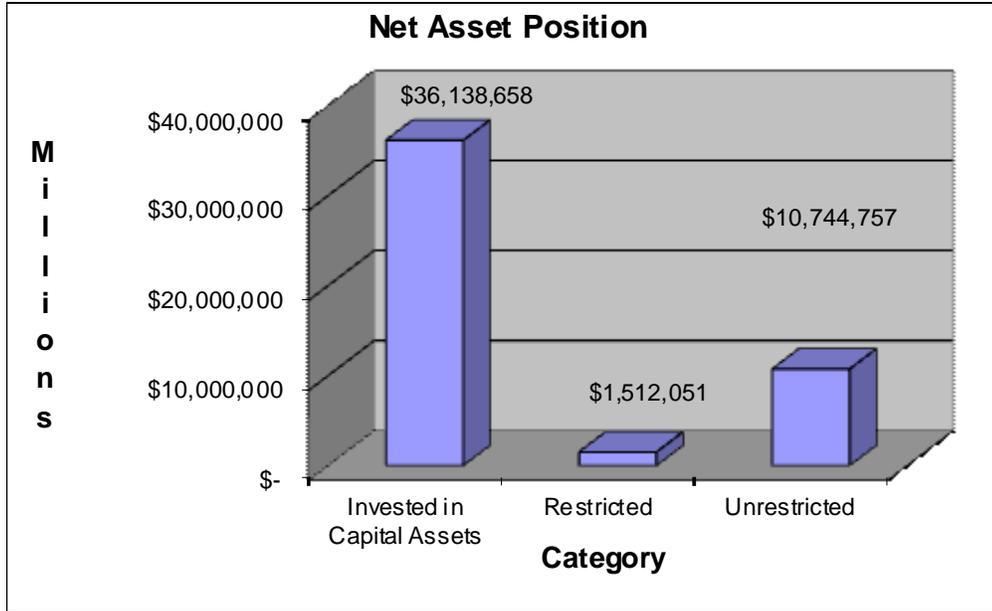
Net assets may serve over time as a useful indicator of the District's financial position. For the year ending June 30, 2011, net assets were \$48,395,466, a decrease of \$2,242,224 as compared to net assets for the year ending June 30, 2010, as restated.

Net assets for the year ended June 30, 2011 as compared to the year ended June 30, 2010 can be presented as follows:

### Georgetown Independent School District's Net Assets

	Governmental Activities as of	
	June 30, 2010	June 30, 2011
Current assets:		
Cash and temporary investments	\$ 26,244,897	\$ 108,965,893
Property taxes, net	1,962,904	2,220,683
Due from other governments	6,413,970	5,817,474
Due from fiduciary funds	107,765	275
Other receivables and inventory	283,547	468,433
Deferred expenses	240,507	146,293
Total current assets	<u>35,253,590</u>	<u>117,619,051</u>
Non-current assets:		
Deferred charge – bond issuance costs	1,058,871	1,754,465
Capital assets, net of accumulated depreciation	<u>163,730,313</u>	<u>167,666,380</u>
Total non-current assets	<u>164,789,184</u>	<u>169,420,845</u>
Total assets, as restated	<u>\$ 200,042,774</u>	<u>\$ 287,039,896</u>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,584,421	\$ 13,735,234
Bonds payable	7,335,000	7,660,000
Bond interest payable	2,345,091	3,696,285
Deferred revenue	1,210,838	571,533
Due to other governments	<u>111,835</u>	<u>101,282</u>
Total current liabilities	<u>20,587,185</u>	<u>25,764,334</u>
Long-term liabilities:		
Bonds payable	128,657,757	212,599,881
Accretion payable	<u>160,142</u>	<u>280,215</u>
Total long-term liabilities	<u>128,817,899</u>	<u>212,880,096</u>
Total liabilities, as restated	<u>\$ 149,405,084</u>	<u>\$ 238,644,430</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 34,385,653	\$ 36,138,658
Restricted	5,313,170	1,512,051
Unrestricted	<u>10,938,867</u>	<u>10,744,757</u>
Total net assets, as restated	<u>\$ 50,637,690</u>	<u>\$ 48,395,466</u>

The District has unrestricted net assets of \$10,744,757 as of June 30, 2011. For the fiscal year ending June 30, 2011, restricted net assets decreased by \$3,801,119 and unrestricted net assets decreased by \$194,110. Overall cash and investments increased from the previous fiscal year due to the proceeds received from bond issuances in the current year.



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

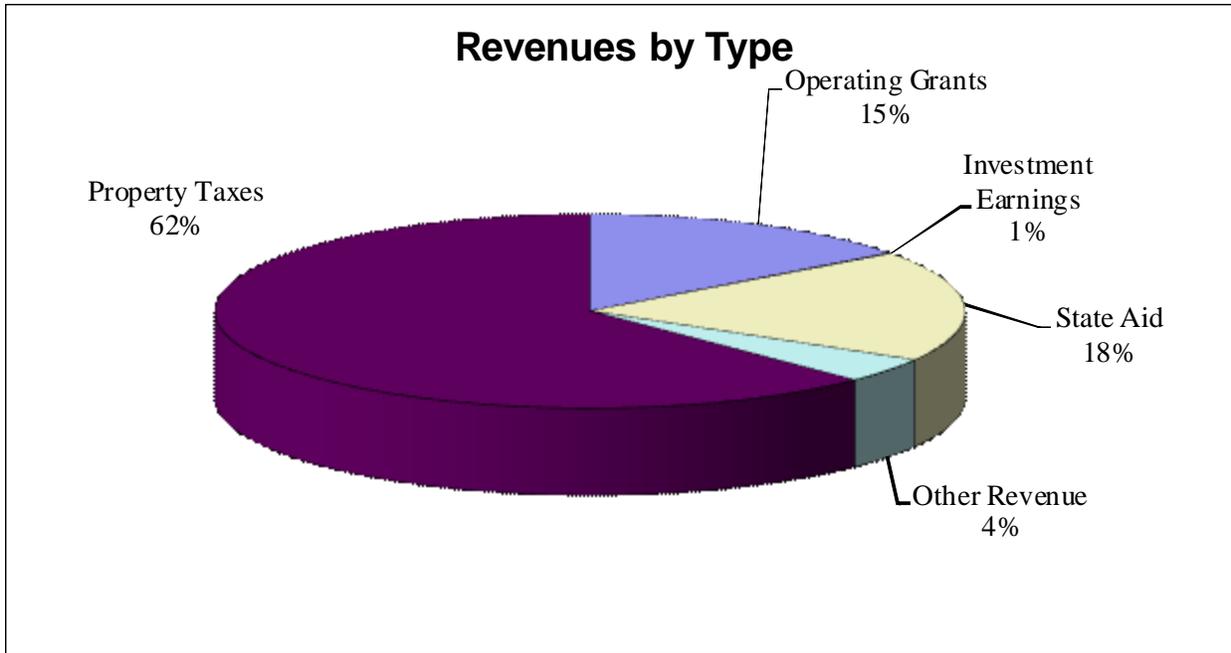
## Governmental Activities

Governmental activities decreased the District's net assets by \$2,242,224 during the fiscal year ended June 30, 2011. Key elements of this decrease are as follows:

### Georgetown Independent School District's Changes in Net Assets

	Governmental Activities as of	
	June 30, 2010	June 30, 2011
Revenues:		
Program Revenues:		
Charges for services	\$ 3,744,300	\$ 3,956,415
Operating grants and contributions	13,380,895	16,363,025
General Revenues:		
Property taxes	67,010,534	69,252,734
State aid – formula grants	21,875,260	20,577,705
Investment earnings	698,651	124,237
Miscellaneous	946,296	678,432
Total Revenues, as restated	107,655,936	110,952,548
Expenses:		
Instruction and instructional resources	59,968,802	62,316,688
Curriculum, instructional and school leadership	9,440,354	9,260,091
Student support services	8,683,756	9,220,758
Food service	5,486,933	5,474,418
Extracurricular activities	2,591,810	2,629,505
General administration	2,607,121	3,117,250
Support services	10,992,411	11,384,191
Community services	1,724,009	1,652,662
Interest on long-term debt	8,709,460	7,250,113
Facilities acquisition	-	35,016
Other	1,022,383	854,080
Total Expenses, as restated	111,227,039	113,194,772
Change in Net Assets	(3,571,103)	(2,242,224)
Net Assets Beginning, as restated	54,208,793	50,637,690
Net Assets Ending, as restated	\$ 50,637,690	\$ 48,395,466

Property taxes revenues increased from the prior year primarily due to a 1.5% increase in property values within the District for the 2010 tax year. Overall property taxes account for 62% of the District's revenue sources while State funding also represents 18%. Operating grants account for 15% 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 \$101,831,352. Of this amount \$9,476,113 constitutes unassigned fund balance available for use in the General Fund activities at the District’s discretion, and an additional \$152,121 in General Fund fund balance is nonspendable due to being in the form of deferred expenditures and inventory. The remainder of the fund balance is nonspendable, 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.

For the year ended June 30, 2011, the District adopted Government Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

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

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

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

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

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

The Texas Education Agency recommends that districts keep a fund balance that is between 12% to 20% of annual general fund operating expenses. As a measure of the General Fund's liquidity, unassigned fund balance represents 11% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$4,925,237, all of which is restricted for payment of debt service.

The Capital Projects Fund had a total fund balance of \$86,977,694, 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 higher than final budgeted amounts due to instructional and transportation payroll costs greater than expected, the additional purchase of a replacement student information system, and higher than expected testing costs, utilities, maintenance supplies and property insurance.
- State program revenues decreased due to less than budgeted student enrollment increases resulting in less state funding.

## Capital Assets and Debt Administration: Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$167,666,380 (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	\$ 9,887,821
Construction in progress	8,778,581
Buildings and improvements	145,928,287
Furniture and equipment	3,071,691
Total	<u>\$ 167,666,380</u>

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

## Long-term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$214,440,000. The bonded debt constitutes a direct obligation of the District from a continuing, direct ad valorem tax levied against all taxable property of the District without legal limit as to rate or amount. The bonds are also guaranteed by the corpus of the Permanent School fund of the State of Texas. Both Standard & Poor's Rating Services and Moody's Investors Services have provided bond ratings of AAA and Aaa, respectively, to the District's outstanding debt obligations.

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

## Economic Factors and Next Year's Budgets and Rates

The District is located in the City of Georgetown, Texas, which has been ranked as one of the best small towns in America. The District is a diversified agricultural and manufacturing area located in central Williamson County, approximately 25 miles north of Austin, covering an area of approximately 180 square miles. The City of Georgetown has an estimated population of 48,500 and is one of the fastest growing communities in Central Texas. In 2008, CNNMoney.com and Fortune Small Business ranked Georgetown #2 out of 100 Best Places to Live and Launch.

The District's elected officials considered many factors when setting the fiscal year 2010-11 budget and tax rates. One of the significant factors was the infusion of federal stimulus funds into the foundation school formula for State aid. The implication of this decision by the State legislature left a hold in the future funding of the public schools of Texas. The national economic downturn to this point has had a limited effect on the state and local economy. However, this favorable condition is expected to negatively change in future budget periods.

The District's voters passed a \$137.3 million bond issue on November 2, 2010 that provides for new educational facilities, renovations to existing facilities, technology and security upgrades, and the acquisition of additional school sites. This will impact the District's tax rate beginning with the 2011-12 school year. The District's elected officials completed boundary attendance zones for the second high school and added a sophomore class for 2011-12. The second high school will have its first graduating class in 2013-14.

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. As of June 30, 2011, the arbitrage rebate calculation on the 2005 Bond proceeds had changed the District's estimated liability to no liability due to low interest rates.

The District estimated a 3% growth in students for 2010-11, and no change in property values for budget purposes. However, the actual student enrollment growth was 0.5% and there was a 1.5% increase in property values. The 2010-11 tax rate was \$1.290 (\$1.04 for maintenance and operations and \$0.25 for debt service). This is the same tax rate for the past four years. The District staff received a 2% pay raise for 2010-11, and the employer insurance contribution was increased from \$3,792 to \$3,828 per year for all employees participating in the health insurance program. Twenty additional teaching positions are included in the budget to comply with 22 to 1 ratio in Kindergarten through 6<sup>th</sup> grade. The District did not pay State recapture in 2010-11 due to changes in the equalized wealth level.

The Federal Government passed the American Recovery and Reinvestment Act of 2009 (ARRA) and State Fiscal Stabilization Funds (SFSF) in February 2009. The District was awarded \$2.5 million in ARRA funds through IDEA-B and Title I grants and \$2.8 million in SFSF funds through the Foundation School Fund and the Available School Fund. These funds are allocated for the 2010-11 school year.

The District is aware of the State cuts in funding education planned by the State Legislature beginning in the 2011-12 school year, and is taking steps to reduce payroll and operating costs for that fiscal year. The 2011-12 budget includes a \$6.1 million reduction in payroll costs, approximately 142 positions, and \$500,000 reduction in non-payroll costs.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

# GEORGETOWN INDEPENDENT SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Current assets:	
Cash and temporary investments	\$ 108,965,893
Receivables:	
Property taxes - delinquent	2,266,003
Allowance for uncollectible taxes	(45,320)
Due from other governments	5,817,474
Other	224,451
Due from fiduciary funds	275
Accrued interest	130,307
Inventory	113,675
Deferred expenses	146,293
Noncurrent assets:	
Deferred charge - bond issuance costs	1,754,465
Capital assets (net of accumulated depreciation):	
Land	9,887,821
Construction in progress	8,778,581
Buildings and improvements	145,928,287
Furniture and equipment	3,071,691
Total assets	<u><u>\$ 287,039,896</u></u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	\$ 4,776,080
Payroll deductions and withholdings payable	47,633
Accrued wages payable	8,911,521
Bond interest payable	3,696,285
Bonds payable	7,660,000
Due to other governments	101,282
Deferred revenue	571,533
Noncurrent liabilities:	
Bonds payable	212,599,881
Accretion payable	280,215
Total liabilities	<u><u>238,644,430</u></u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	36,138,658
Restricted for:	
Debt service	1,475,365
Food service	27,740
Teacher and principal training	8,946
Unrestricted	10,744,757
Total net assets	<u><u>\$ 48,395,466</u></u>

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

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Statement of Activities**  
**Year Ended June 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
<b>Governmental activities:</b>				
Instruction	\$ 61,103,399	1,528,666	9,847,378	(49,727,355)
Instructional resources and media services	1,213,289	-	81,105	(1,132,184)
Curriculum and staff development	436,251	-	233,236	(203,015)
Instructional leadership	2,819,070	-	444,022	(2,375,048)
School leadership	6,004,770	-	669,244	(5,335,526)
Guidance, counseling, and evaluation services	3,175,158	-	535,653	(2,639,505)
Social work services	448,368	-	155,059	(293,309)
Health services	1,257,199	-	148,273	(1,108,926)
Student transportation	4,340,033	-	245,918	(4,094,115)
Food service	5,474,418	2,123,175	2,956,593	(394,650)
Extracurricular activities	2,629,505	304,574	66,010	(2,258,921)
General administration	3,117,250	-	147,736	(2,969,514)
Plant maintenance and operations	9,987,506	-	440,545	(9,546,961)
Security and monitoring services	81,775	-	-	(81,775)
Data processing services	1,314,910	-	208,772	(1,106,138)
Community services	1,652,662	-	183,481	(1,469,181)
Debt service	7,250,113	-	-	(7,250,113)
Capital outlay	35,016	-	-	(35,016)
Payments to juvenile justice alternative education programs	262,551	-	-	(262,551)
Other intergovernmental charges	591,529	-	-	(591,529)
Total governmental activities	<u>\$ 113,194,772</u>	<u>3,956,415</u>	<u>16,363,025</u>	<u>(92,875,332)</u>
General revenues:				
Property taxes				\$ 69,252,734
State aid-formula grants				20,577,705
Investment earnings				124,237
Miscellaneous				<u>678,432</u>
Total general revenues				<u>90,633,108</u>
Change in net assets				(2,242,224)
Net assets - beginning (as restated)				<u>50,637,690</u>
Net assets - ending				<u>\$ 48,395,466</u>

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

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and temporary investments	\$ 12,075,580	4,663,131	90,845,774	1,381,408	108,965,893
Receivables:					
Property taxes - delinquent	1,848,644	417,359	-	-	2,266,003
Allowance for uncollectible taxes	(36,973)	(8,347)	-	-	(45,320)
Due from other governments	4,478,884	-	-	1,338,590	5,817,474
Due from other funds	1,360,408	99,697	-	35,752	1,495,857
Other	-	-	-	224,451	224,451
Accrued interest	-	-	130,307	-	130,307
Inventory	5,828	-	-	107,847	113,675
Deferred expenditures	146,293	-	-	-	146,293
Total assets	<u>\$ 19,878,664</u>	<u>5,171,840</u>	<u>90,976,081</u>	<u>3,088,048</u>	<u>119,114,633</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
Liabilities:					
Accounts payable	\$ 708,415	-	3,965,904	101,761	4,776,080
Payroll deductions and withholdings payable	47,633	-	-	-	47,633
Accrued wages payable	8,225,886	-	-	685,635	8,911,521
Interest payable	-	190	-	-	190
Due to other funds	135,449	-	16,094	1,344,039	1,495,582
Due to other governments	-	-	-	101,282	101,282
Deferred revenue	1,133,047	246,413	16,389	555,144	1,950,993
Total liabilities	<u>10,250,430</u>	<u>246,603</u>	<u>3,998,387</u>	<u>2,787,861</u>	<u>17,283,281</u>
Fund balances:					
Nonspendable:					
Inventory	5,828	-	-	107,847	113,675
Deferred expenditures	146,293	-	-	-	146,293
Restricted for:					
Debt service	-	4,925,237	-	-	4,925,237
Authorized construction	-	-	86,977,694	-	86,977,694
Teacher and principal training	-	-	-	8,946	8,946
Committed to-					
Campus activities	-	-	-	254,328	254,328
Assigned to:					
Student achievement	-	-	-	1,320	1,320
Technology	-	-	-	15,816	15,816
SSA - JJAEP	-	-	-	18,700	18,700
Unassigned	9,476,113	-	-	(106,770)	9,369,343
Total fund balances	<u>9,628,234</u>	<u>4,925,237</u>	<u>86,977,694</u>	<u>300,187</u>	<u>101,831,352</u>
Total liabilities and fund balances	<u>\$ 19,878,664</u>	<u>5,171,840</u>	<u>90,976,081</u>	<u>3,088,048</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 167,666,380
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,379,460
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and contractual obligations payable, including premiums	(220,554,051)
Less: Deferred charge for issuance costs	1,754,465
Less: Issuance discount	104,796
Less: Deferred charge on refunding	189,374
Interest payable	(3,696,095)
Accretion payable	(280,215)
Net assets of governmental activities	<u>\$ 48,395,466</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, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Local and intermediate sources	\$ 57,745,306	13,357,827	78,522	3,632,987	74,814,642
State program revenues	24,837,982	-	-	756,007	25,593,989
Federal program revenues	614,444	-	-	9,558,100	10,172,544
Total revenues	<u>83,197,732</u>	<u>13,357,827</u>	<u>78,522</u>	<u>13,947,094</u>	<u>110,581,175</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction	51,050,145	-	-	6,743,151	57,793,296
Instructional resources and media services	1,015,740	-	-	29,130	1,044,870
Curriculum and staff development	210,355	-	-	225,896	436,251
Instructional leadership	2,477,059	-	-	335,197	2,812,256
School leadership	5,505,255	-	-	385,738	5,890,993
Guidance, counseling, and evaluation services	2,789,529	-	-	385,629	3,175,158
Social work services	298,770	-	-	149,598	448,368
Health services	1,159,143	-	-	81,916	1,241,059
Student transportation	3,787,497	-	-	91,760	3,879,257
Food service	-	-	-	5,079,723	5,079,723
Extracurricular activities	1,792,793	-	101,697	42,150	1,936,640
General administration	2,970,366	-	546	73,555	3,044,467
Plant maintenance and operations	9,944,971	-	-	151,900	10,096,871
Security and monitoring services	81,775	-	-	-	81,775
Data processing services	1,159,379	-	-	154,919	1,314,298
Community services	1,541,349	-	-	96,844	1,638,193
Payments to juvenile justice alternative education programs	262,551	-	-	-	262,551
Other intergovernmental charges	591,529	-	-	-	591,529
Debt service	-	13,591,626	705,216	-	14,296,842
Capital outlay	-	-	9,113,171	-	9,113,171
Total expenditures	<u>86,638,206</u>	<u>13,591,626</u>	<u>9,920,630</u>	<u>14,027,106</u>	<u>124,177,568</u>
Deficiency of revenues under expenditures	<u>(3,440,474)</u>	<u>(233,799)</u>	<u>(9,842,108)</u>	<u>(80,012)</u>	<u>(13,596,393)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from sale of bonds	-	-	88,325,000	-	88,325,000
Proceeds of refunding bonds	-	2,905,000	-	-	2,905,000
Premium on sale of bonds	-	158,959	2,480,216	-	2,639,175
Payment to refunded bond escrow agent	-	(2,976,980)	-	-	(2,976,980)
Total other financing sources, net	-	86,979	90,805,216	-	90,892,195
Net change in fund balances	(3,440,474)	(146,820)	80,963,108	(80,012)	77,295,802
Fund balances - beginning (as restated)	13,068,708	5,072,057	6,014,586	380,199	24,535,550
Fund balances - ending	<u>\$ 9,628,234</u>	<u>4,925,237</u>	<u>86,977,694</u>	<u>300,187</u>	<u>101,831,352</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, 2011

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Net change in fund balances-total governmental funds	\$ 77,295,802
Amounts reported for <i>governmental activities</i> 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	9,448,815
Depreciation expense	(5,512,748)
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	371,373
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Bond proceeds, including premiums	(93,869,175)
Issuance costs	792,195
Repayment of bond principal and contractual obligations	7,335,000
Payment to refunded bond escrow agent	2,976,980
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	(1,351,004)
Amortization of issuance costs	(96,599)
Amortization of bond premiums	387,807
Amortization of bond issuance discounts	(6,986)
Amortization of deferred charges on refunding	(11,267)
Change in accretion payable	(2,417)
Change in net assets of governmental activities	<u>\$ (2,242,224)</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 Balance - Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 55,680,150	55,680,150	57,745,306	2,065,156
State program revenues	30,428,543	27,928,543	24,837,982	(3,090,561)
Federal program revenues	75,000	75,000	614,444	539,444
Total revenues	<u>86,183,693</u>	<u>83,683,693</u>	<u>83,197,732</u>	<u>(485,961)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	52,418,661	50,463,661	51,050,145	(586,484)
Instructional resources and media services	1,058,083	1,058,083	1,015,740	42,343
Curriculum and staff development	281,034	281,034	210,355	70,679
Instructional leadership	2,742,656	2,602,656	2,477,059	125,597
School leadership	5,777,055	5,607,055	5,505,255	101,800
Guidance, counseling, and evaluation services	2,736,290	2,736,290	2,789,529	(53,239)
Social work services	284,586	309,586	298,770	10,816
Health services	1,172,512	1,192,512	1,159,143	33,369
Student transportation	3,410,859	3,650,859	3,787,497	(136,638)
Food service	190	190	-	190
Extracurricular activities	1,622,016	1,842,016	1,792,793	49,223
General administration	2,892,272	2,892,272	2,970,366	(78,094)
Plant maintenance and operations	8,694,909	9,684,909	9,944,971	(260,062)
Security and monitoring services	74,016	104,016	81,775	22,241
Data processing services	954,135	1,254,135	1,159,379	94,756
Community services	1,817,419	1,617,419	1,541,349	76,070
Payments to juvenile justice alternative education programs	247,000	287,000	262,551	24,449
Other intergovernmental charges	-	600,000	591,529	8,471
Total expenditures	<u>86,183,693</u>	<u>86,183,693</u>	<u>86,638,206</u>	<u>(454,513)</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>(2,500,000)</u>	<u>(3,440,474)</u>	<u>(940,474)</u>
Fund balance - beginning (as restated)	<u>13,068,708</u>	<u>13,068,708</u>	<u>13,068,708</u>	<u>-</u>
Fund balance - ending	<u>\$ 13,068,708</u>	<u>10,568,708</u>	<u>9,628,234</u>	<u>(940,474)</u>

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

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**

**Statement of Fiduciary Net Assets**

**Fiduciary Funds**

**June 30, 2011**

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**ASSETS:**

Cash and temporary investments	\$	684,165
Due from other funds		<u>158,849</u>
Total assets	\$	<u><u>843,014</u></u>

**LIABILITIES:**

Accounts payable	\$	683,890
Due to other funds		<u>159,124</u>
Total liabilities	\$	<u><u>843,014</u></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, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **The Financial Reporting Entity**

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

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

#### **Government-wide and Fund Financial Statements**

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

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

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

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

Major revenue sources considered susceptible to accrual include state and federal program revenues and interest income. Delinquent property taxes at 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.

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

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

**Budgetary Information**

Budgets are prepared annually for the General Fund, Debt Service Fund, and Food Service Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by June 20 and is adopted by the Board at a public meeting after ten days public notice of the meeting has been given. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year. The following expenditure functions in the General Fund, Debt Service Fund, and Food Service Fund exceeded budgeted amounts for the year ended June 30, 2011:

Function	General Fund	Debt Service Fund	Food Service Fund
Instruction	\$ 586,484	-	-
Guidance, counseling, and evaluation services	53,239	-	-
Student transportation	136,638	-	-
General administration	78,094	-	-
Plant maintenance and operations	260,062	-	-
Debt service	-	77,626	-
Food service	-	-	82,683

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, 2011, that were provided for in the subsequent year’s budget.

**Assets, Liabilities, and Net Assets or Equity**

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

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

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

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

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

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

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

Fund Equity/Deficits - The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 9 for additional information on those fund balance classifications. The Advanced Placement Incentives and Kindergarten and Prekindergarten Grants Special Revenue Funds had deficit fund balances at June 30, 2011 of \$5,831 and \$20,832, respectively. These deficits will be eliminated through transfers from the General Fund.

## 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, 2011, the carrying amount of the District's deposits (cash and interest-bearing savings accounts included in temporary investments) was \$10,808,413 and the bank balance was \$12,527,644.

The District's deposits with financial institutions at June 30, 2011 and during the year ended June 30, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the TEA maintains copies of all safekeeping receipts in the name of the District.

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

- a. Name of depository bank: First Texas Bank and Frost Bank
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$12,267,660.
- c. Largest cash, savings and time deposit combined account balance amounted to \$27,941,079 and occurred during the month of April 2011.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$18,814,138.

Investments held at June 30, 2011 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local governmental investment pools:			
TexPool	\$ 12,260,090	1	AAAm
Lone Star	39,757,717	1	AAA
Commercial paper	21,860,602	158	A-1/A-1+
Municipal bonds	9,010,196	263	Various
U.S. Agencies:			
Federal National Mortgage Assn	4,036,000	358	AA+
Federal Home Loan Bank	4,000,800	487	AA+
Federal Home Loan Mortgage Corp.	5,907,040	580	AA+
Federal Farm Credit Bank	2,009,200	658	AA+
Total	<u>\$ 98,841,645</u>		

The District had investments in two external local government investment pools at June 30, 2011: Texas Local Governmental Investment Pool (“TexPool”) and Lone Star Investment Pool (“Lone Star”). Although TexPool and Lone Star are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC’s Rule 2a7-of the Investment Company Act of 1940. These investments are stated at fair value which is the same as the value of the pool shares.

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

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

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

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

Credit Risk - At June 30, 2011, investments were included in local government investment pools, commercial paper, municipal bonds, and governmental agency securities in compliance with the District's investment policy. Credit risk for the commercial paper, municipal bonds, and governmental agency securities is minimized through the use of a highly-rated dealer counter-party and sufficient ratings from Standard & Poor's.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At June 30, 2011, 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, 2011, the District had the following investments which require disclosure:

Issuer	Fair Value	Percentage of Portfolio
Municipal bonds - Texas Municipal Power Agency	5,100,000	5%
Commercial paper - FCAR Owner Trust	9,482,250	10%
Federal Home Loan Mortgage Corp.	5,907,040	6%

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. Two municipal bonds and the government agency securities had a maturity that exceeded one year from the time of purchase, but was authorized by the Board. At June 30, 2011, 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, 2010, upon which the October 2010 levy was based, was \$5,301,848,322. The District levied taxes based on a combined tax rate of \$1.29 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. Each year, the TEA notifies school districts in which property wealth per Weighted Average Daily Attendance ("WADA") meets or exceeds \$319,500. However, the final determination of whether a school district will be required to make recapture payments is based on the district's tax effort and the extent to which the district's wealth per WADA exceeds the first equalized wealth level of \$476,500. The District was not above the equalized wealth level for the 2010-2011 fiscal year.

In 2005, the Texas Legislature passed House Bill 1. House Bill 1 changed the way school districts receive revenue from both state and local sources. Districts that had reached the tax rate cap of \$1.50 per \$100 of assessed value for maintenance and operations were compressed to \$1.33 in 2006 and \$1.00 in 2007. Local school boards retained the option of adding up to four cents to the local compressed rate without approval, and the District has exercised that option for the 2011 tax levy.

#### 4. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below as of June 30, 2011.

	General Fund	Nonmajor Governmental Funds	Total
State entitlements	\$ 4,447,105	-	4,447,105
Federal and state grants	31,779	1,338,590	1,370,369
Total	<u>\$ 4,478,884</u>	<u>1,338,590</u>	<u>5,817,474</u>

## 5. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 1,185,190
	Fiduciary Fund	159,124
	Capital Projects Fund	16,094
Debt Service Fund	General Fund	99,697
Fiduciary Fund	Nonmajor Governmental Funds	158,849
Nonmajor Governmental Funds	General Fund	35,752
Total		<u>\$ 1,654,706</u>

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.”

## 6. DEFERRED REVENUE

At June 30, 2011, deferred revenue in governmental funds consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Net tax revenue	\$ 1,133,047	246,413	-	-	1,379,460
Federal and state grants	-	-	-	109,753	109,753
SSA - JJAEP	-	-	-	445,391	445,391
Other	-	-	16,389	-	16,389
Total	<u>\$ 1,133,047</u>	<u>246,413</u>	<u>16,389</u>	<u>555,144</u>	<u>1,950,993</u>

## 7. CAPITAL ASSETS

Capital asset activity for the period ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,820,704	67,117	-	9,887,821
Construction in progress	1,177,787	8,855,554	(1,254,760)	8,778,581
Total capital assets, not being depreciated	<u>10,998,491</u>	<u>8,922,671</u>	<u>(1,254,760)</u>	<u>18,666,402</u>
Capital assets, being depreciated:				
Buildings and improvements	195,320,894	1,511,941	-	196,832,835
Furniture and equipment	7,741,652	268,963	-	8,010,615
Total capital assets being depreciated	<u>203,062,546</u>	<u>1,780,904</u>	<u>-</u>	<u>204,843,450</u>
Less accumulated depreciation for:				
Buildings and improvements	(45,921,715)	(4,982,833)	-	(50,904,548)
Furniture and equipment	(4,409,009)	(529,915)	-	(4,938,924)
Total accumulated depreciation	<u>(50,330,724)</u>	<u>(5,512,748)</u>	<u>-</u>	<u>(55,843,472)</u>
Total capital assets, being depreciated, net	<u>152,731,822</u>	<u>(3,731,844)</u>	<u>-</u>	<u>148,999,978</u>
Governmental activities capital assets, net	<u>\$ 163,730,313</u>	<u>5,190,827</u>	<u>(1,254,760)</u>	<u>167,666,380</u>

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

<b>Governmental activities:</b>	
Instruction	\$ 3,335,631
Instruction resources and media services	168,419
Instructional leadership	6,814
School leadership	113,777
Health services	16,140
Student transportation	460,776
Food service	419,245
Extracurricular activities	801,157
General administration	72,783
Plant maintenance and operations	95,562
Data processing services	7,975
Community services	14,469
Total depreciation expense - governmental activities	<u>\$ 5,512,748</u>

## 8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the period ended June 30, 2011:

	Balance 6/30/2010	Additions	Retirements	Balance 6/30/2011
General obligation bonds	\$ 133,450,000	91,230,000	(10,240,000)	214,440,000
Deferred charges on refundings	(128,661)	(71,980)	11,267	(189,374)
Premiums on bonds	3,980,340	2,521,518	(387,807)	6,114,051
Issuance discount on bonds	(111,782)	-	6,986	(104,796)
Total debt payable - principal	137,189,897	93,679,538	(10,609,554)	220,259,881
Accretion on capital appreciation bonds	160,142	120,073	-	280,215
Total debt payable	<u>\$ 137,350,039</u>	<u>93,799,611</u>	<u>(10,609,554)</u>	<u>220,540,096</u>

Bonded debt consists of the following at June 30, 2011:

### General obligation bonds:

Series	Date of Issue	Amounts of Original Issue	Matures Through	Interest Rate	Outstanding at 6-30-11	Due Within One Year
2001	2-19-01	\$ 19,999,996	2012	3.70 - 5.50%	\$ 365,000	\$ 365,000
2004	9-20-04	34,454,977	2020	2.00 - 5.00%	25,535,000	4,045,000
2005	2-21-05	8,795,000	2017	3.00 - 5.00%	7,175,000	-
2006	1-17-06	95,700,000	2026	3.50 - 5.00%	88,345,000	3,220,000
2010	5-19-10	1,830,000	2022	2.00 - 3.38%	1,790,000	30,000
2011	1-27-11	88,325,000	2035	2.00 - 5.00%	88,325,000	-
2011	4-27-11	2,905,000	2022	2.00 - 3.25%	2,905,000	-
Total		<u>\$ 252,009,973</u>			<u>\$ 214,440,000</u>	<u>\$ 7,660,000</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 2010 was \$0.25.

On January 27, 2011, the District issued \$88,325,000 in Unlimited Tax School Building Bonds for the construction, renovation and equipment of school buildings, including the second phase of Georgetown East View High School, renovation of Georgetown High School, construction of the new McCoy Elementary School, renovation of Frost Elementary School, District warehouse, District-wide technology and security upgrades and other renovations to District facilities, and to pay costs of issuance of the bonds. The net proceeds of \$90,100,000 (after payment of \$705,216 in underwriting fees, insurance, and other issuance costs) was invested by the District to fund future construction.

On April 27, 2011, the District issued \$2,905,000 of Refunding Bonds to advance refund \$2,905,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$2,977,170 (after payment of \$86,979 in underwriting fees, insurance, and other issuance costs) were used for the following: \$2,976,980 was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$190 was deposited in the debt service fund for future interest and principal payments. As a result, \$2,905,000 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 \$71,980. The amount is netted against the new debt and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding resulted in an economic gain of \$327,554. The bond premium for the Refunding Bonds per the official closing statement was \$158,959, of which \$117,656 is considered to be accretion and not included in the bond premium in the table above.

The annual principal installments for each of the outstanding issues vary each year. As of June 30, 2011, the debt service requirements of bonded indebtedness to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 7,660,000	9,881,881	17,541,881
2013	7,785,000	9,908,568	17,693,568
2014	8,955,000	9,257,609	18,212,609
2015	9,860,000	8,830,850	18,690,850
2016	10,460,000	8,396,554	18,856,554
2017 – 2021	57,745,000	34,080,815	91,825,815
2022 – 2026	52,300,000	21,858,443	74,158,443
2027 – 2031	27,430,000	11,570,558	39,000,558
2032 – 2035	32,245,000	3,386,446	35,631,446
Total	<u>\$ 214,440,000</u>	<u>117,171,724</u>	<u>331,611,724</u>

The outstanding Series 2010 and 2011 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.

In the prior and current year, the District defeased outstanding general obligation bonds through the Series 2010 and 2011 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, 2011 outstanding bonds of \$4,735,000 are considered defeased.

As of June 30, 2011, general obligation bonds of \$47,200,000 were authorized by voters of the District, but unissued.

## 9. FUND BALANCES

For the period ended June 30, 2011, the District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

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

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

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

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

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

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

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

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

## 10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the period ended June 30, 2011, 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	\$ 55,128,910	13,250,213	-	-	68,379,123
Food service	-	-	-	2,071,110	2,071,110
Investment income	54,220	12,087	78,522	1,914	146,743
Penalties, interest, and other tax related income	406,710	95,527	-	-	502,237
Tuition and fees from patrons	1,528,666	-	-	-	1,528,666
Co-curricular student activities	304,574	-	-	-	304,574
Other	322,226	-	-	1,559,963	1,882,189
<b>Total</b>	<b>\$ 57,745,306</b>	<b>13,357,827</b>	<b>78,522</b>	<b>3,632,987</b>	<b>74,814,642</b>

## 11. PENSION PLAN OBLIGATIONS

The District's employees participate in the Teacher Retirement System of Texas (the "System"), a public employee retirement system ("PERS"). It is a cost-sharing multiple employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. During the year ended June 30, 2011, contributions of \$4,302,209 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 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ended June 30, 2011, 2010, and 2009 were approximately \$4,368,000, \$4,219,000, and \$3,976,000, 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, 2011, 2010, and 2009 were approximately \$760,000, \$691,000, and \$588,000, respectively, which was equal to the required contributions for the year.

**12. ON-BEHALF PAYMENTS**

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to the System on behalf of the District. For the year ended June 30, 2011, reimbursements of \$182,357 were received by the System and allocated to the District.

**13. RISK MANAGEMENT**

The District’s risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended June 30, 2011, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

**14. SHARED SERVICES ARRANGEMENTS**

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

Round Rock ISD	\$	440,442
Georgetown ISD		262,551
Leander ISD		231,082
Taylor ISD		95,227
Hutto ISD		90,061
Liberty Hill ISD		17,613
Jarrell ISD		13,973
Florence ISD		11,272
Bartlett ISD		7,045
Granger ISD		3,875
Thrall ISD		1,057
Total	\$	<u>1,174,198</u>

## 15. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2011, 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, 2011, the District is also committed under construction contracts with a remaining balance of approximately \$24,264,738.

## 16. RESTATEMENT OF NET ASSETS AND FUND BALANCES

As of June 30, 2010, the District understated bond premiums and bond issuance costs and overstated accretion payable related to the District's bond issuances in prior years. In addition, the District overstated fund balance in the General Fund and understated fund balance in the Capital Projects Fund and Food Service Fund based on several items detailed below.

As a result, Net Assets at June 30, 2010, as previously reported, has been restated as follows:

	<u>Net Assets</u>
Beginning balance, as previously reported	\$ 54,963,320
Effect of bond issuance costs	729,305
Effect of bond premiums	(2,671,418)
Effect of accretion payable	4,908
Effect of fund balance adjustments	<u>(2,388,425)</u>
Beginning balance, as restated	<u>\$ 50,637,690</u>

As of June 30, 2010, the following items were identified that impacted the fund balance in the General Fund: 1) the District had a receivable balance in excess of the actual amount due to the District from State entitlements through the School Foundation and Per Capita Programs; 2) the District had other receivable balances related to amounts due from other governments and amounts due from employees that the District did not reduce when payments were received in prior years; and 3) the District had an accrued expenditures balance related to expenditures that were incurred in prior years.

As a result, the fund balance in the General Fund at June 30, 2010, as previously reported, has been restated as follows:

	<u>General Fund</u>
Beginning balance, as previously reported	\$ 16,013,547
Effect of State aid receivable	(1,469,617)
Effect of other receivables	(1,605,670)
Effect of accrued expenditures	<u>130,448</u>
Beginning balance, as restated	<u>\$ 13,068,708</u>

As of June 30, 2010, the Capital Projects Fund had a liability recorded for arbitrage that should have only been reflected in the government-wide financial statements as the liability was not due and payable within the subsequent year when the liability was initially recorded. The District had no remaining arbitrage liability at June 30, 2010 for the government-wide financial statements.

As a result, the fund balance in the Capital Projects Fund at June 30, 2010, as previously reported, has been restated as follows:

	Capital Projects Fund
Beginning balance, as previously reported	\$ 5,577,936
Effect of arbitrage liability	436,650
Beginning balance, as restated	<u>\$ 6,014,586</u>

As of June 30, 2010, the Food Service Fund, which is included in the Other Governmental Funds column in the fund financial statements, had a deferred revenue liability recorded related to donated commodities received in prior years. These commodities were subsequently used by the District, and thus this balance should have been reversed when the commodities were used.

As a result, the fund balance in the Food Service Fund at June 30, 2010, as previously reported, has been restated as follows:

	Food Service Fund
Beginning balance, as previously reported	\$ (50,594)
Effect of deferred revenue	119,764
Beginning balance, as restated	<u>\$ 69,170</u>

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2011**

	ESEA Title I, Part A Improving Basic Programs	ESEA Title I, Part C Education of Migratory Children	National and Community Service Trust Act Learn and Serve America	IDEA - Part B, Formula	IDEA - Part B, Preschool	IDEA - Part B, Discretionary	National School Breakfast and Lunch Program	Career and Technical Preparation	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	State Fiscal Stabilization Fund (SFSF) - Education Recovery Act	Education for Homeless Children and Youth, Recovery Act	IDEA - Part B, Formula, Recovery Act	IDEA - Part B, Preschool, Recovery Act
<b>Assets:</b>															
Cash and temporary investments	\$ -	-	-	-	-	-	378,009	-	-	-	-	-	-	-	-
Receivables:															
Due from other governments	155,407	4,145	20,347	365,348	5,231	27,879	29,088	3,417	11,358	94,885	17,262	279,952	3,666	110,348	15,749
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	224,451	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	107,847	-	-	-	-	-	-	-	-
Total assets	<u>\$ 155,407</u>	<u>4,145</u>	<u>20,347</u>	<u>365,348</u>	<u>5,231</u>	<u>27,879</u>	<u>739,395</u>	<u>3,417</u>	<u>11,358</u>	<u>94,885</u>	<u>17,262</u>	<u>279,952</u>	<u>3,666</u>	<u>110,348</u>	<u>15,749</u>
<b>Liabilities and fund balances:</b>															
<b>Liabilities:</b>															
Accounts payable	\$ 9,067	112	1,288	-	-	-	40,038	172	2,064	7,678	958	-	-	14,834	-
Accrued wages payable	92,174	3,304	-	206,781	3,168	-	235,701	-	-	-	4,271	-	-	32,405	3,663
Due to other funds	54,166	729	19,059	158,567	2,063	27,879	328,069	3,245	9,294	75,704	12,033	279,952	3,666	63,109	12,086
Due to other governments	-	-	-	-	-	-	-	-	-	2,557	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	107,847	-	-	-	-	-	-	-	-
Total liabilities	<u>155,407</u>	<u>4,145</u>	<u>20,347</u>	<u>365,348</u>	<u>5,231</u>	<u>27,879</u>	<u>711,655</u>	<u>3,417</u>	<u>11,358</u>	<u>85,939</u>	<u>17,262</u>	<u>279,952</u>	<u>3,666</u>	<u>110,348</u>	<u>15,749</u>
<b>Fund balances:</b>															
Nonspendable	-	-	-	-	-	-	107,847	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	8,946	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(80,107)	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,740</u>	<u>-</u>	<u>-</u>	<u>8,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 155,407</u>	<u>4,145</u>	<u>20,347</u>	<u>365,348</u>	<u>5,231</u>	<u>27,879</u>	<u>739,395</u>	<u>3,417</u>	<u>11,358</u>	<u>94,885</u>	<u>17,262</u>	<u>279,952</u>	<u>3,666</u>	<u>110,348</u>	<u>15,749</u>

(continued)

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds (continued)**  
**June 30, 2011**

	ESEA Title I, Part A Improving Basic Programs, Recovery Act	After School Grant	Summer School LEP	State Supplemental Visually Impaired	Life Skills Program	Advanced Placement Incentives	Investment Capital Funds	Student Success Initiative	Technology Allotment	Kindergarten and Prekindergarten Grants	LEP Student Success Initiative	SSA JJAEP	Campus Activity	Total Special Revenue Funds
<b>Assets:</b>														
Cash and temporary investments \$	-	-	-	-	-	205	5,366	3,946	20,251	-	-	555,282	418,349	1,381,408
Receivables:														
Due from other governments	45,877	64,103	-	4,400	14,406	4,870	-	2,779	5,835	46,272	5,966	-	-	1,338,590
Due from other funds	-	-	-	-	-	-	-	-	583	35,169	-	-	-	35,752
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	224,451
Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-	107,847
Total assets	<u>\$ 45,877</u>	<u>64,103</u>	<u>-</u>	<u>4,400</u>	<u>14,406</u>	<u>5,075</u>	<u>5,366</u>	<u>6,725</u>	<u>26,669</u>	<u>81,441</u>	<u>5,966</u>	<u>555,282</u>	<u>418,349</u>	<u>3,088,048</u>
<b>Liabilities and fund balances:</b>														
<b>Liabilities:</b>														
Accounts payable \$	-	627	-	-	100	-	-	-	2,622	14,644	-	2,385	5,172	101,761
Accrued wages payable	4,689	-	-	-	-	-	-	-	-	12,008	-	87,471	-	685,635
Due to other funds	41,188	63,476	-	4,400	14,306	1,390	3,508	-	-	-	5,966	1,335	158,849	1,344,039
Due to other governments	-	-	-	-	-	9,516	538	6,725	6,325	75,621	-	-	-	101,282
Deferred revenue	-	-	-	-	-	-	-	-	1,906	-	-	445,391	-	555,144
Total liabilities	<u>45,877</u>	<u>64,103</u>	<u>-</u>	<u>4,400</u>	<u>14,406</u>	<u>10,906</u>	<u>4,046</u>	<u>6,725</u>	<u>10,853</u>	<u>102,273</u>	<u>5,966</u>	<u>536,582</u>	<u>164,021</u>	<u>2,787,861</u>
<b>Fund balances:</b>														
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	107,847
Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	8,946
Committed	-	-	-	-	-	-	-	-	-	-	-	-	254,328	254,328
Assigned	-	-	-	-	-	-	1,320	-	15,816	-	-	18,700	-	35,836
Unassigned	-	-	-	-	-	(5,831)	-	-	-	(20,832)	-	-	-	(106,770)
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,831)</u>	<u>1,320</u>	<u>-</u>	<u>15,816</u>	<u>(20,832)</u>	<u>-</u>	<u>18,700</u>	<u>254,328</u>	<u>300,187</u>
Total liabilities and fund balances	<u>\$ 45,877</u>	<u>64,103</u>	<u>-</u>	<u>4,400</u>	<u>14,406</u>	<u>5,075</u>	<u>5,366</u>	<u>6,725</u>	<u>26,669</u>	<u>81,441</u>	<u>5,966</u>	<u>555,282</u>	<u>418,349</u>	<u>3,088,048</u>

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2011**

	ESEA Title I, Part A Improving Basic Programs	ESEA Title I, Part C Education of Migratory Children	National and Community Service Trust Act Learn and Serve America	IDEA - Part B, Formula	IDEA - Part B, Preschool	IDEA - Part B, Discretionary	National School Breakfast and Lunch Program	Career and Technical Preparation	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	State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	Education for Homeless Children and Youth, Recovery Act	IDEA - Part B, Formula, Recovery Act	IDEA - Part B, Preschool, Recovery Act
<b>Revenues:</b>															
Local and intermediate sources	\$ -	-	-	-	-	-	2,078,224	-	-	-	-	-	-	-	-
State program revenues	-	-	-	-	-	-	27,921	-	-	-	-	-	-	-	-
Federal program revenues	929,620	24,053	40,508	1,681,545	21,247	27,879	2,932,108	3,417	91,055	181,519	97,303	2,799,490	3,666	588,619	25,615
Total revenues	929,620	24,053	40,508	1,681,545	21,247	27,879	5,038,253	3,417	91,055	181,519	97,303	2,799,490	3,666	588,619	25,615
<b>Expenditures:</b>															
Instruction	814,524	-	40,508	1,290,537	21,247	27,879	-	3,417	87,583	25,560	26,057	1,921,840	-	582,657	25,615
Instructional resources and media services	-	-	-	-	-	-	-	-	-	-	-	29,130	-	-	-
Curriculum and staff development	30,152	-	-	12,941	-	-	-	-	3,472	147,526	19,993	5,650	-	5,962	-
Instructional leadership	58,318	-	-	89,491	-	-	-	-	-	8,433	28,639	93,110	-	-	-
School leadership	-	-	-	-	-	-	-	-	-	-	-	200,360	-	-	-
Guidance, counseling and evaluation services	-	-	-	245,951	-	-	-	-	-	-	-	90,360	-	-	-
Social work services	14,479	24,053	-	6,010	-	-	-	-	-	-	21,297	3,750	3,666	-	-
Health services	-	-	-	-	-	-	-	-	-	-	-	39,490	-	-	-
Student transportation	-	-	-	-	-	-	-	-	-	-	-	91,760	-	-	-
Food service	-	-	-	-	-	-	5,079,683	-	-	-	-	40	-	-	-
Extracurricular activities	-	-	-	-	-	-	-	-	-	-	-	42,150	-	-	-
General administration	-	-	-	-	-	-	-	-	-	-	-	55,280	-	-	-
Plant maintenance and operations	-	-	-	-	-	-	-	-	-	-	-	151,900	-	-	-
Data processing services	-	-	-	-	-	-	-	-	-	-	-	27,950	-	-	-
Community services	12,147	-	-	36,615	-	-	-	-	-	-	1,317	46,720	-	-	-
Total expenditures	929,620	24,053	40,508	1,681,545	21,247	27,879	5,079,683	3,417	91,055	181,519	97,303	2,799,490	3,666	588,619	25,615
Excess (Deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	(41,430)	-	-	-	-	-	-	-	-
Fund balances - beginning (as restated)	-	-	-	-	-	-	69,170	-	-	8,946	-	-	-	-	-
Fund balances - ending	\$ -	-	-	-	-	-	27,740	-	-	8,946	-	-	-	-	-

(continued)

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Funds (continued)**  
**Year Ended June 30, 2011**

	ESEA Title I, Part A Improving Basic Programs, Recovery Act	After School Grant	Summer School LEP	State Supplemental Visually Impaired	Life Skills Program	Advanced Placement Incentives	Investment Capital Funds	Student Success Initiative	Technology Allotment	Kindergarten and Prekindergarten Grants	LEP Student Success Initiative	SSA JJAEP	Campus Activity	Total Special Revenue Funds
<b>Revenues:</b>														
Local and intermediate sources	\$ -	-	-	-	-	-	-	-	-	-	-	1,174,198	380,565	3,632,987
State program revenues	-	-	-	4,400	41,756	13,426	-	46,249	295,059	274,572	-	52,624	-	756,007
Federal program revenues	102,936	-	7,520	-	-	-	-	-	-	-	-	-	-	9,558,100
Total revenues	102,936	-	7,520	4,400	41,756	13,426	-	46,249	295,059	274,572	-	1,226,822	380,565	13,947,094
<b>Expenditures:</b>														
Instruction	90,448	-	7,520	4,400	41,756	13,226	-	46,249	122,093	274,572	-	859,086	416,377	6,743,151
Instructional resources and media services	-	-	-	-	-	-	-	-	-	-	-	-	-	29,130
Curriculum and staff development	-	-	-	-	-	200	-	-	-	-	-	-	-	225,896
Instructional leadership	12,443	-	-	-	-	-	-	-	44,763	-	-	-	-	335,197
School leadership	-	-	-	-	-	-	-	-	-	-	-	185,378	-	385,738
Guidance, counseling and evaluation services	-	-	-	-	-	-	-	-	-	-	-	49,318	-	385,629
Social work services	-	-	-	-	-	-	-	-	-	-	-	76,343	-	149,598
Health services	-	-	-	-	-	-	-	-	-	-	-	42,426	-	81,916
Student transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	91,760
Food service	-	-	-	-	-	-	-	-	-	-	-	-	-	5,079,723
Extracurricular activities	-	-	-	-	-	-	-	-	-	-	-	-	-	42,150
General administration	-	-	-	-	-	-	-	-	-	-	-	14,500	3,775	73,555
Plant maintenance and operations	-	-	-	-	-	-	-	-	-	-	-	-	-	151,900
Data processing services	-	-	-	-	-	-	-	-	124,570	-	-	2,399	-	154,919
Community services	45	-	-	-	-	-	-	-	-	-	-	-	-	96,844
Total expenditures	102,936	-	7,520	4,400	41,756	13,426	-	46,249	291,426	274,572	-	1,229,450	420,152	14,027,106
Excess (Deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	-	-	3,633	-	-	(2,628)	(39,587)	(80,012)
Fund balances - beginning (as restated)	-	-	-	-	-	(5,831)	1,320	-	12,183	(20,832)	-	21,328	293,915	380,199
Fund balances - ending	\$ -	-	-	-	-	(5,831)	1,320	-	15,816	(20,832)	-	18,700	254,328	300,187

**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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES-</b>				
Local and intermediate sources	\$ 13,423,413	13,544,000	13,357,827	(186,173)
Total revenues	<u>13,423,413</u>	<u>13,544,000</u>	<u>13,357,827</u>	<u>(186,173)</u>
<b>EXPENDITURES-</b>				
Debt service	13,393,413	13,514,000	13,591,626	(77,626)
Total expenditures	<u>13,393,413</u>	<u>13,514,000</u>	<u>13,591,626</u>	<u>(77,626)</u>
Excess (deficiency) of revenues over (under) expenditures	30,000	30,000	(233,799)	(263,799)
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds of refunding bonds	-	-	2,905,000	2,905,000
Premium on sale of bonds	-	-	158,959	158,959
Payment to refunded bond escrow agent	-	-	(2,976,980)	(2,976,980)
Total other financing sources, net	-	-	86,979	86,979
Net change in fund balances	30,000	30,000	(146,820)	(176,820)
Fund balance - beginning	<u>5,072,057</u>	<u>5,072,057</u>	<u>5,072,057</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,102,057</u>	<u>5,102,057</u>	<u>4,925,237</u>	<u>(176,820)</u>

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Nonmajor Special Revenue Fund - Food Service**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Year Ended June 30, 2011**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local and intermediate sources	\$ 2,102,000	2,162,000	2,078,224	(83,776)
State program revenues	30,000	30,000	27,921	(2,079)
Federal program revenues	2,730,000	2,955,000	2,932,108	(22,892)
Total revenues	<u>4,862,000</u>	<u>5,147,000</u>	<u>5,038,253</u>	<u>(108,747)</u>
<b>EXPENDITURES-</b>				
Food service	4,712,000	4,997,000	5,079,683	(82,683)
Total expenditures	<u>4,712,000</u>	<u>4,997,000</u>	<u>5,079,683</u>	<u>(82,683)</u>
Excess (deficiency) of revenues over (under) expenditures	150,000	150,000	(41,430)	(191,430)
Fund balance - beginning (as restated)	69,170	69,170	69,170	-
Fund balance - ending	<u>\$ 219,170</u>	<u>219,170</u>	<u>27,740</u>	<u>(191,430)</u>

## **OTHER SCHEDULES**

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Delinquent Taxes Receivable**  
**Year Ended June 30, 2011**

<u>Years Ended</u>	<u>Tax Rates</u>		<u>Assessed/ Appraised Value for School Tax Purposes</u>	<u>Beginning Balance 6/30/2010</u>	<u>Current Year's Total Levy</u>	<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustment</u>	<u>Ending Balance 6/30/2011</u>
	<u>Maintenance</u>	<u>Debt Service</u>							
2002 and prior	Various	Various	\$ -	\$ 152,552	-	6,701	928	(45,826)	99,097
2003	1.5000	0.2300	2,871,847,399	72,947	-	3,336	512	(1,969)	67,130
2004	1.5000	0.2650	2,940,264,816	64,957	-	3,430	606	(4,130)	56,791
2005	1.5000	0.2550	3,180,697,037	73,870	-	4,958	843	(4,319)	63,750
2006	1.5000	0.2550	3,442,301,140	34,828	-	8,819	1,499	(3,178)	21,332
2007	1.3700	0.2550	3,938,047,569	114,919	-	(5,819)	(1,083)	(14,706)	107,115
2008	1.0400	0.2500	4,543,813,023	77,521	-	7,353	1,768	(4,537)	63,863
2009	1.0400	0.2500	5,121,312,943	156,262	-	24,186	5,814	(15,701)	110,561
2010	1.0400	0.2500	5,222,131,705	1,801,369	-	1,220,044	293,280	(141,938)	146,107
2011	1.0400	0.2500	5,301,848,322	-	68,280,219	53,889,607	12,954,232	93,877	1,530,257
Totals				\$ 2,549,225	68,280,219	55,162,615	13,258,399	(142,427)	2,266,003

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Expenditures for Computation of Indirect Cost**  
**for General and Special Revenue Funds**  
**Year Ended June 30, 2011**

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	\$ -	-	445,505	1,591,771	-	-	2,037,276
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	-	-	-	122,953	-	-	122,953
6212	Audit services	-	-	-	58,700	-	-	58,700
6213	Tax appraisal and collection	-	591,529	-	-	-	-	591,529
621x	Other professional services	-	-	13,569	200,185	-	2,399	216,153
6220	Tuition and transfer payments	-	-	-	-	-	-	-
6230	Education service centers	-	-	-	200	-	-	200
6240	Contr. maintenance and repairs	-	-	-	15,806	-	-	15,806
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	44,745	-	-	44,745
6290	Miscellaneous contr.	-	-	-	122,082	-	-	122,082
6320	Textbooks and reading	-	-	-	-	-	-	-
6330	Testing materials	-	-	-	-	-	-	-
63xx	Other supplies, materials	5	-	3,588	21,135	-	-	24,728
6410	Travel, subsistence, stipends	2,018	-	2,250	3,020	-	-	7,288
6420	Insurance and bonding costs	-	-	-	37,877	-	-	37,877
6430	Election costs	-	-	-	75,895	-	-	75,895
6490	Miscellaneous operating	1,095	-	12,915	389,689	-	14,500	418,199
6600	Capital outlay	2,851	-	-	-	-	-	2,851
6000 - TOTAL		<u>\$ 5,969</u>	<u>591,529</u>	<u>477,827</u>	<u>2,684,058</u>	<u>-</u>	<u>16,899</u>	<u>3,776,282</u>

Total expenditures/expenses for General and Special Revenue Funds \$ 100,665,312

Less: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	\$ 661,683
Total Debt & Lease (6500)	-
Plant Maintenance (Function 51, 6100-6400)	10,015,057
Food (Function 35, 6341 and 6499)	4,058
Stipends (6413)	19,326
Total Indirect Cost	<u>2,684,058</u>
Subtotal	<u>13,384,182</u>
Net Allowed Direct Cost	<u>\$ 87,281,130</u>

CUMULATIVE

Total Cost of Buildings before Depreciation	\$ 196,832,835
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	\$ 8,010,615
Historical Cost of Furniture & Equipment Over 16 Years Old	\$ 2,432,444
Amount of Federal Money in Furniture & Equipment (Net of Above)	\$ 427,647

(8) Note A - \$150,317 in Function 53 expenditures and \$591,529 in Function 99 expenditures are included in this report on administrative costs.

**FEDERAL AWARDS SECTION**



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

The Board of Trustees of  
Georgetown Independent School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Georgetown Independent School District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting (2011-1 and 2011-2). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

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

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

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

maxwell joche + pitter LLP

November 8, 2011



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

The Board of Trustees of  
Georgetown Independent School District:

Compliance

We have audited Georgetown Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-3, 2011-4, and 2011-5.

Affiliated Companies

ML&R PERSONNEL SOLUTIONS LLC

*"The Resource for Direct Hire & Project Staffing"*

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

### Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-4 and 2011-5. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

*maxwell joche + pitter LLP*

November 8, 2011

**GEORGETOWN INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2011**

Project Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<b><u>Passed Through Texas Education Agency:</u></b>			
11610103246904	ESEA Title I, Part A	84.010A	\$ 929,620
10551001246904	ESEA Title I, Part A, Recovery Act	84.389A	102,936
11615001246904	ESEA Title I, Part C	84.011A	24,053
116600012469046000	IDEA-B Formula	84.027A	1,681,545
10554001246904	IDEA-B Formula, Recovery Act	84.391A	588,619
116610012469046000	IDEA-B Pre-School	84.173A	21,247
10555001246904	IDEA-B Pre-School, Recovery Act	84.392A	25,615
10660006246904	IDEA-B Discretionary	84.027A	27,879
11420006246904	Career and Technical Education - Basic Grant	84.048A	91,055
11694501246904	Title II, Part A, Improving Teacher Quality	84.367A	181,519
11671001246904	Title III, Part A, Language	84.365A	97,303
11557001246904	State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act	84.394A	2,799,490
69551002	Summer School LEP	84.369A	7,520
<b><u>Passed Through Austin Community College-</u></b>			
51393103659100	Career and Technical Education - Tech Prep	84.243A	3,417
<b><u>Passed Through Education Service Center Region 10-</u></b>			
00-006	Education for Homeless Children and Youth, Recovery Act	84.387A	3,666
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>6,585,484</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<b><u>Passed Through Texas Education Agency:</u></b>			
71301101	National School Lunch Program	10.555	2,030,231
71401101	School Breakfast Program	10.553	702,491
<b><u>Passed Through the Texas Department of Human Services-</u></b>			
	Non-cash assistance - Food Distribution Program	10.555	199,386
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>2,932,108</b>
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>			
<b><u>Passed Through Education Service Center Region 14-</u></b>			
09KSWTX001	Learn and Serve America - School and Community Based Programs	94.004	40,508
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 9,558,100</b>

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, 2011

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### 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, School Breakfast Program and the Food Distribution Program. Under the modified accrual basis of accounting, revenue is 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, 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, 2011

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### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### FINANCIAL STATEMENTS

Type of auditors' report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  yes  no

#### FEDERAL AWARDS

Internal control over major programs:

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

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

Title I, Part A Cluster	unqualified
Special Education Cluster	unqualified
Child Nutrition Cluster	unqualified
State Fiscal Stabilization Fund, Recovery Act	unqualified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Title I, Part A Cluster
84.010A	ESEA Title I, Part A
84.389A	ESEA Title I, Part A, Recovery Act
	Special Education Cluster
84.027A	IDEA-B Formula and Discretionary
84.173A	IDEA-B Pre-School
84.391A	IDEA-B Formula, Recovery Act
84.392A	IDEA B Pre-School, Recovery Act
	Child Nutrition Cluster:
10.555	National School Lunch Program
10.553	School Breakfast Program
10.555	Food Distribution Program
84.394A	State Fiscal Stabilization Fund, Recovery Act

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, 2011

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### SECTION II - FINANCIAL STATEMENT FINDINGS

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

2011-1

- Criteria: The District records expenditures in the reporting period in which they were incurred.
- Condition Found: There were multiple invoices for expenditures incurred at the end of the current year related to capital projects that were not recorded in the proper reporting period.
- Effect: There were \$3,498,972 in capital outlay expenditures incurred in June 2011 in the Capital Projects Fund that were not recorded as of June 30, 2011, thus expenditures and the related liability balances were understated at year-end.
- Recommendations: District management should ensure that policies and procedures are in place and functioning so that all expenditures are recorded in the proper reporting period based on when the expenditures were incurred by the District.
- Corrective Action Plan: As part of the year-end closing process, Accounts Payable will pay purchase orders from the budget year based on the invoice date. If a purchase order is entered into Skyward in the next budget year, but the invoice date shows work performed or items purchased in the previous budget year, Accounts Payable will pay out of the previous budget year. Prior to the year-end closing of the accounts, any open purchase orders from the previous year will be closed out.

2011-2

- Criteria: The District records transactions within its governmental funds in accordance with generally accepted accounting principles.
- Condition Found: During the course of the audit, numerous audit adjustments were identified and recorded in the District's governmental fund financial statements.
- Effect: Audit adjustments identified and recorded decreased fund balance in the General Fund and Capital Projects Fund at year-end by \$4,063,220 and \$3,039,815, respectively.
- Recommendations: District management should review its internal controls over financial reporting to ensure that all transactions are recorded in accordance with generally accepted accounting principles.

Corrective Action Plan: The general ledger accounts will be reviewed regularly by the staff accountant and the Director of Budget and Finance. Reconciliations will be performed for asset and liability accounts for each fund on a monthly basis and accounts will be adjusted as needed. A reconciliation of the Due from State account will be performed each time the District receives a payment or allotment adjustment and this reconciliation will be verified by the CFO.

No findings or questioned costs required to be reported in accordance with Government Auditing Standards for the year ended June 30, 2010.

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

2011-3

- Criteria: OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source.
- Condition Found: Payroll expenditures for one employee that was initially paid solely out of Title I, Part A funds were transferred to the General Fund. This transfer did not include this employee's benefit expenditures or accrued wages charged to Title I, Part A.
- Questioned Costs: The District charged payroll expenditures of \$13,878 to the Title I, Part A program related to an employee who did not work on this program during the current fiscal year.
- Effect: Noncompliance with requirements of OMB Circular A-87 and OMB Circular A-133 Compliance Supplement if personnel activity reports do not support the allocation of payroll expenditures to a federal program.
- Recommendations: District management should ensure that policies and procedures are in place and functioning so that all related expenditures for employees who are reassigned out of a federal program are transferred to the General Fund and not charged to the federal program.
- Corrective Action Plan: The payroll supervisor will generate the amount of salary and benefits that should be used to make the journal entry to transfer payroll expenditures between funds. The staff accountant will work closely with the payroll department on any future reclassifications involving salary and benefits.

2011-4

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

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

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

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

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

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

2011-5

Criteria: OMB Circular A-87 requires that employees who work solely on a single cost objective must furnish a semi-annual certification that they have been engaged solely in activities supported by the applicable source. For employees who work on multiple cost objectives, a personnel activity report, which reflects the actual time spent on each cost objective, must be prepared at least monthly and signed by the employee or a supervisor with knowledge of how an employee's time has been spent.

Condition Found: District employees who worked solely on the IDEA-B program, which includes Recovery Act funds, did not complete semi-annual certifications. Personnel activity reports completed for District employees who worked on the IDEA-B program and another cost objective did not support the allocation of payroll expenditures to the IDEA-B program.

Questioned Costs: Payroll expenditures related to employees who worked solely on the IDEA-B program were \$1,472,660, of which \$192,066 related to Recovery Act funds. Payroll expenditures related to employees who worked on the IDEA-B program and another cost objective were \$96,367, of which \$21,665 related to Recovery Act funds.

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

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

Corrective Action Plan: Employees who are 100% funded through IDEA-B funds will complete semi-annual certifications. Split-funded employees will complete time and effort documentation forms. The goal of the Special Education Department is not to have employees split-funded between IDEA-B and another cost objective.

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, 2010.