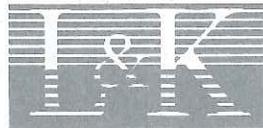


**GREGORY-PORTLAND
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2014



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2014

BOARD OF TRUSTEES

RANDY EULENFELD	PRESIDENT
DEAN ATKINSON	VICE-PRESIDENT
BECKY MACHA	SECRETARY
REY ROJAS	MEMBER
VICTOR HERNANDEZ	MEMBER
GILBERT CORTINAS	MEMBER
CARRIE GREGORY	MEMBER

OTHER OFFICIALS

PAUL CLORE, PH.D.	SUPERINTENDENT
DARLA CZERWINSKI	ASSISTANT SUPERINTENDENT
RONALD M. WILSON	CHIEF FINANCIAL OFFICER AND SAFETY COORDINATOR
VANESSA RIGGS	DIRECTOR OF BUSINESS SERVICES

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Gregory-Portland Independent School District
Annual Financial Report
For The Year Ended August 31, 2014

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Introductory Section

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CERTIFICATE OF BOARD

Gregory-Portland Independent School District
Name of School District

San Patricio
County

205902
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 period ended August 31, 2014, at a meeting of the board of trustees of such school district on the 16th day of December, 2014.


Becky Macha, Board Secretary


Randy Eulenfeld, Board President

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

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Financial Section

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Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report

To the Board of Trustees
Gregory-Portland Independent School District
608 College Street
Portland, Texas 78374

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gregory-Portland Independent School District ("the District") as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gregory-Portland Independent School District as of August 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2014, Gregory-Portland Independent School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gregory-Portland Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014 on our consideration of Gregory-Portland Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gregory-Portland Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 8, 2014

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Management's Discussion and Analysis

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**GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014
UNAUDITED**

This section of Gregory-Portland Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

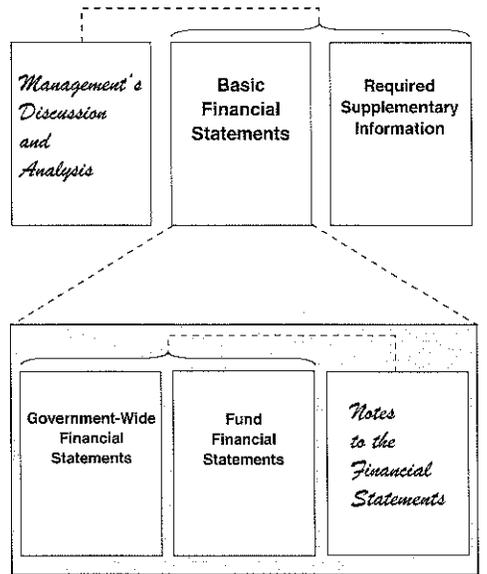
- The District's total combined net position was \$63,762,884 at August 31, 2014.
- During the year, the District's expenses were \$5,186,033 less than the \$41,111,827 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$26,102,628 .

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & charges in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

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

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional

information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$63,762,884 at August 31, 2014. (See Table A-1.)

Table A-1
Gregory-Portland Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2014-2013
	2014	2013	2014	2013	2014	2013	
Current Assets:							
Cash and Investments	58.2	56.5	0.8	0.6	59.0	57.1	3.3%
Property Taxes (Net)	0.3	0.3	-	-	0.3	0.3	0.0%
Due from Other Governments	0.6	2.7	-	-	0.6	2.7	-77.8%
Unrealized Expense	0.1	0.2	-	-	0.1	0.2	-50.0%
Total Current Assets:	59.2	59.7	0.8	0.6	60.0	60.3	-0.5%
Noncurrent Assets:							
Land	1.8	1.8	-	-	1.8	1.8	0.0%
Construction in Progress	5.9	-	-	-	5.9	-	0.0%
Buildings and Equipment, Net	46.0	46.5	0.3	0.4	46.3	46.9	-1.3%
Total Noncurrent Assets	53.7	48.3	0.3	0.4	54.0	48.7	10.9%
Total Assets	112.9	108.0	1.1	1.0	114.0	109.0	4.6%
Deferred Outflows of Resources:							
Deferred Charge for Refunding	1.1	1.3	-	-	1.1	1.3	-15.4%
Total Deferred Outflows of Resources	1.1	1.3	-	-	1.1	1.3	-15.4%
Current Liabilities:							
Accounts Payable and Accrued Liabilities	3.8	1.6	-	-	3.8	1.6	137.5%
Liabilities							
Interest Payable	0.1	0.1	-	-	0.1	0.1	0.0%
Unearned Revenue	0.1	0.3	-	-	0.1	0.3	-66.7%
Total Current Liabilities	4.0	2.0	-	-	4.0	2.0	100.0%
Non-current Liabilities:							
Due Within One Year	2.5	2.4	-	-	2.5	2.4	4.2%
Due in More Than One Year	44.7	47.3	-	-	44.7	47.3	-5.5%
Total Liabilities	51.2	51.7	-	-	51.2	51.7	-1.0%
Net Position:							
Invested in Capital Assets, Net of Related Debt	31.9	30.3	0.3	0.4	32.2	30.7	4.9%
Restricted For:							
Federal and State Programs	-	-	0.8	0.6	0.8	0.6	33.3%
Debt Service	2.7	3.1	-	-	2.7	3.1	-12.9%
Unrestricted	28.2	24.2	-	-	28.2	24.2	16.5%
Total Net Position	62.8	57.6	1.1	1.0	63.9	58.6	9.0%

Approximately \$2.7 million of the District's restricted net position represents proceeds from local taxes. These proceeds, when spent, are restricted for debt service. The balance of restricted net position, \$0.8 million is restricted for use in state & federal programs. The \$28.2 million of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$43.5 million. A significant portion, 38.9%, of the District's revenue comes from taxes. 44% comes from state aid, while 3.6% relates to charges for services.

The total cost of all programs and services was \$38.3 million.

Table A-2
Changes in Gregory-Portland Independent School District's Net Position
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2014-2013
	2014	2013	2014	2013	2014	2013	
Program Revenues:							
Charges for Services	0.3	0.3	1.3	1.3	1.6	1.6	0.0%
Operating Grants and Contributions	3.9	3.6	-	-	3.9	3.6	8.3%
General Revenues:							
Property Taxes	16.9	15.2	-	-	16.9	15.2	11.2%
State Aid – Formula	19.1	17.7	-	-	19.1	17.7	7.9%
Grants Not Restricted	-	-	1.1	1.1	1.1	1.1	0.0%
Other	0.9	1.5	-	-	0.9	1.5	-40.0%
Total Revenues	41.1	38.3	2.4	2.4	43.5	40.7	6.9%
Expenses:							
Instruction	19.6	18.5	-	-	19.6	18.5	5.9%
Instructional Resources and Media Services	1.3	1.3	-	-	1.3	1.3	0.0%
Curriculum Dev. and Instructional Staff Dev.	0.2	0.2	-	-	0.2	0.2	0.0%
Instructional Leadership	0.6	0.6	-	-	0.6	0.6	0.0%
School Leadership	2.3	2.2	-	-	2.3	2.2	4.5%
Guidance, Counseling and Evaluation Services	1.2	1.1	-	-	1.2	1.1	9.1%
Health Services	0.5	0.4	-	-	0.5	0.4	25.0%
Student (Pupil) Transportation	0.8	0.7	-	-	0.8	0.7	14.3%
Food Services	0.1	0.1	2.4	2.2	2.5	2.3	8.7%
Curricular/Extracurricular Activities	1.0	1.0	-	-	1.0	1.0	0.0%
General Administration	1.4	1.2	-	-	1.4	1.2	16.7%
Plant Maintenance & Oper.	3.7	3.6	-	-	3.7	3.6	2.8%
Security & Monitoring Services	0.1	0.1	-	-	0.1	0.1	0.0%
Debt Service	1.5	1.0	-	-	1.5	1.0	50.0%
Facilities Acquisition and Construction	0.2	0.2	-	-	0.2	0.2	0.0%
Pmts to Shared Service Arrangement	1.0	0.9	-	-	1.0	0.9	11.1%
Payments to Tax Incremental Charges	0.1	-	-	-	0.1	-	0.0%
Other Intergovernmental Charges	0.3	0.3	-	-	0.3	0.3	0.0%
Total Expenses	35.9	33.4	2.4	2.3	38.3	35.7	7.3%
Increase (Decrease) in Net Position	5.2	4.9	-	0.1	5.2	5.0	4.0%

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

- The cost of all *governmental* activities this year was \$35.9 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$16.8 million.
- Some of the cost was paid by those who directly benefited from the programs, \$.3 million, or
- By grants and contributions \$3.9 million.

Table A-3
 Net Cost of Selected Gregory-Portland Independent School District Functions
 (in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	2014	2013	% Change	2014	2013	% Change
Instruction	19.6	18.5	5.9%	18.1	16.3	11.0%
School Administration	1.4	1.2	16.7%	1.4	1.2	16.7%
Plant Maintenance & Operations	3.7	3.6	2.8%	3.7	3.5	5.7%
Debt Service - Interest & Fiscal Charges	1.5	1.0	50.0%	0.9	0.3	200.0%

Business-type Activities

Revenues of the District's business-type activities increased \$46,055 and expenses increased \$75,451 from the preceding year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$40.8 million, an increase of 8.8% from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees reviewed the District budget and made budget amendments. Even with these adjustments, actual expenditures were \$3.2 million below final budget amounts. Some large construction and maintenance projects were budgeted but not completed in fiscal year 2013-14. Staffing was also an area of positive variance. Staffing is budgeted for full employment and benefits throughout the entire year.

Resources available were \$1.9 million above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013-14, the District had invested \$74.3 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$6.7 million or 9.9% percent from last year.

Table A-4
Gregory-Portland Independent School District's Capital Assets
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2014-2013
	2014	2013	2014	2013	2014	2013	
	Land	1.8	1.8	-	-	1.8	
Buildings and improvements	61.9	61.3	-	-	61.9	61.3	1.0%
Construction in Progress	5.9	-	-	-	5.9	-	0.0%
Vehicles	2.3	2.1	-	-	2.3	2.1	9.5%
Equipment	1.6	1.6	0.8	0.8	2.4	2.4	0.0%
Totals at historical cost	73.5	66.8	0.8	0.8	74.3	67.6	9.9%
Total accumulated depreciation	19.8	18.4	0.5	0.4	20.3	18.8	8.0%
Net capital assets	53.7	48.4	0.3	0.4	54.0	48.8	10.7%

Long Term Debt

At year-end the District had \$47.3 million in bonds and capital leases outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

Bond Ratings

The District's bonds presently carry "AAA" enhanced rating with underlying ratings as follows: Standard & Poors "AA-"; Moody's Aa3.

Table A-5
Gregory-Portland Independent School District's Long Term Debt
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2014-2013
	2014	2013	2014	2013	2014	2013	
	Bonds payable	44.8	46.9	-	-	44.8	
Bond premium on refunding	2.4	2.7	-	-	2.4	2.7	-11.1%
Capital lease	0.1	0.1	-	-	0.1	0.1	0.0%
Total long term debt	47.3	49.7	-	-	47.3	49.7	-4.8%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Factors taken into consideration during budget planning include the following:

- Appraised value used for the 2014-15 budget preparation is up \$123 million, or 9.25% from the prior year estimated value.
- Anticipating that average daily attendance (ADA) would grow, the 2014-15 budget was developed using an estimated ADA of 4,279.
- General operating fund spending per student in average daily attendance decreases in the 2014-15 budget from \$7,942 to \$7,939.
- Increasing starting Teacher Salary to \$46,289 to maintain the highest starting salary in ESC 2
- Adding staff for projected growth in enrollment

Amounts available for appropriation in the general fund budget are \$35.2 million, an increase of 4.4% from the original 2013-14 budget of \$33.7 million. Total property tax revenue for the general fund will increase approximately \$1,340,464. State formula revenue is expected to increase \$159,536 from the amount budgeted for prior year.

General fund expenditures are budgeted to increase 4.6% to \$33.9 million. The District's largest budget item remains payroll. For the 2014-2015 school year, the Board of Trustees approved a 3.0% raise based on the mid-point system for all employees. The competitive salary schedule adjustments allowed the District to open the 2014-15 school year with no teacher vacancies.

The District continues to increase in expenditure needs because of salaries, curriculum needs, security needs, aging facilities, and increasing uncontrollable costs. Unfinished construction and maintenance projects will be budgeted and completed in 2014-15. In addition, the Board has identified several areas of need to be addressed by commitments of fund balance.

The school board has supported senior district management which has been in place for 14+ years and has assured stability in financial management. The district uses conservative principles to manage financial activities, underestimating projected annual enrollment and/or increases to annual property valuations to insure that budgets remain within projected revenues.

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 Office of the Chief Financial Officer, Gregory-Portland Independent School District at (361) 777-1091.

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Basic Financial Statements

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GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS:			
1110	\$ 58,187,233	\$ 762,095	\$ 58,949,328
1225	316,809	--	316,809
1240	598,665	25,855	624,520
1290	3,426	1,782	5,208
1300	6,272	--	6,272
1410	65,750	--	65,750
Capital Assets:			
1510	1,798,625	--	1,798,625
1520	44,020,451	--	44,020,451
1530	1,953,387	305,584	2,258,971
1580	5,939,507	--	5,939,507
1000	<u>112,890,125</u>	<u>1,095,316</u>	<u>113,985,441</u>
DEFERRED OUTFLOWS OF RESOURCES:			
1701	1,084,291	--	1,084,291
1700	<u>1,084,291</u>	<u>--</u>	<u>1,084,291</u>
LIABILITIES:			
2110	2,530,083	44,785	2,574,868
2140	64,239	--	64,239
2165	1,227,418	--	1,227,418
2180	66,570	--	66,570
2300	52,803	27,335	80,138
2400	10,738	--	10,738
Noncurrent Liabilities:			
2501	2,532,911	--	2,532,911
2502	44,749,965	--	44,749,965
2000	<u>51,234,728</u>	<u>72,120</u>	<u>51,306,848</u>
NET POSITION:			
3200	31,869,159	305,584	32,174,743
Restricted For:			
3820	1,983	717,612	719,595
3850	2,702,435	--	2,702,435
3900	28,166,111	--	28,166,111
3000	<u>\$ 62,739,688</u>	<u>\$ 1,023,196</u>	<u>\$ 63,762,884</u>

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues	
			Charges for Services	4 Operating Grants and Contributions
	Governmental Activities:			
11	<i>Instruction</i>	\$ 19,594,028	\$ 37,562	\$ 1,446,283
12	<i>Instructional Resources and Media Services</i>	1,306,390	--	16,255
13	<i>Curriculum and Staff Development</i>	201,234	--	48,628
21	<i>Instructional Leadership</i>	637,498	--	77,834
23	<i>School Leadership</i>	2,250,406	--	9,123
31	<i>Guidance, Counseling, & Evaluation Services</i>	1,157,241	--	167,446
33	<i>Health Services</i>	535,208	--	46,125
34	<i>Student Transportation</i>	751,147	--	2,854
35	<i>Food Service</i>	80,967	--	12,186
36	<i>Cocurricular/Extracurricular Activities</i>	1,017,949	234,214	4,306
41	<i>General Administration</i>	1,439,905	--	6,807
51	<i>Facilities Maintenance and Operations</i>	3,749,217	--	17,302
52	<i>Security and Monitoring Services</i>	98,426	--	1,383,618
53	<i>Data Processing Services</i>	7,360	--	35
61	<i>Community Services</i>	6,413	--	6,575
72	<i>Interest on Long-term Debt</i>	1,493,474	--	667,223
73	<i>Bond Issuance Costs and Fees</i>	9,200	--	--
81	<i>Capital Outlay</i>	243,926	--	2,429
93	<i>Payments Related to Shared Services Arrangements</i>	944,864	--	4,479
97	<i>Payments to Tax Increment Fund</i>	136,217	--	--
99	<i>Other Intergovernmental Charges</i>	264,724	--	--
TG	Total Governmental Activities	<u>35,925,794</u>	<u>271,776</u>	<u>3,919,508</u>
	Business-type Activities:			
05	Food Services	2,355,052	1,301,244	11,079
TP	Total Primary Government	<u>\$ 38,280,846</u>	<u>\$ 1,573,020</u>	<u>\$ 3,930,587</u>
	General Revenues:			
MT	<i>Property Taxes, Levied for General Purposes</i>			
DT	<i>Property Taxes, Levied for Debt Service</i>			
IE	<i>Investment Earnings</i>			
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>			
MI	<i>Miscellaneous</i>			
	<i>Chapter 313 Payment</i>			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (18,110,183)		\$ (18,110,183)
(1,290,135)		(1,290,135)
(152,606)		(152,606)
(559,664)		(559,664)
(2,241,283)		(2,241,283)
(989,795)		(989,795)
(489,083)		(489,083)
(748,293)		(748,293)
(68,781)		(68,781)
(779,429)		(779,429)
(1,433,098)		(1,433,098)
(3,731,915)		(3,731,915)
1,285,192		1,285,192
(7,325)		(7,325)
162		162
(826,251)		(826,251)
(9,200)		(9,200)
(241,497)		(241,497)
(940,385)		(940,385)
(136,217)		(136,217)
(264,724)		(264,724)
<u>(31,734,510)</u>		<u>(31,734,510)</u>
--	\$ (1,042,729)	(1,042,729)
<u>(31,734,510)</u>	<u>(1,042,729)</u>	<u>(32,777,239)</u>
14,573,125	--	14,573,125
2,349,897	--	2,349,897
83,517	--	83,517
19,125,652	1,080,139	20,205,791
454,193	--	454,193
334,159	--	334,159
<u>36,920,543</u>	<u>1,080,139</u>	<u>38,000,682</u>
<u>5,186,039</u>	<u>37,410</u>	<u>5,223,449</u>
57,553,655	985,786	58,539,441
<u>\$ 62,739,688</u>	<u>\$ 1,023,196</u>	<u>\$ 63,762,884</u>

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2014

Data Control Codes	10 General Fund	60 Capital Projects Fund - 2012
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 24,099,565	\$ 6,233,018
1225 <i>Taxes Receivable, Net</i>	271,539	--
1240 <i>Due from Other Governments</i>	482,532	--
1260 <i>Due from Other Funds</i>	2,952,728	--
1290 <i>Other Receivables</i>	3,426	--
1300 <i>Inventories</i>	6,272	--
1410 <i>Unrealized Expenditures</i>	65,750	--
1000 Total Assets	<u>27,881,812</u>	<u>6,233,018</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ 277,760	\$ --
2150 <i>Payroll Deductions & Withholdings</i>	70,295	--
2160 <i>Accrued Wages Payable</i>	1,032,734	--
2170 <i>Due to Other Funds</i>	--	183,144
2180 <i>Due to Other Governments</i>	66,570	--
2200 <i>Accrued Expenditures</i>	200	--
2300 <i>Unearned Revenue</i>	49,349	--
2400 <i>Payable from Restricted Assets</i>	10,738	--
2000 Total Liabilities	<u>1,507,646</u>	<u>183,144</u>
DEFERRED INFLOWS OF RESOURCES:		
2601 <i>Unavailable Revenue - Property Taxes</i>	271,538	--
2600 Total Deferred Inflows of Resources	<u>271,538</u>	<u>--</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410 <i>Inventories</i>	6,272	--
3430 <i>Prepaid Items</i>	65,750	--
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3480 <i>Retirement of Long-Term Debt</i>	--	--
3490 <i>Other Restrictions of Fund Balance</i>	--	6,049,874
Committed Fund Balances:		
3510 <i>Construction</i>	9,975,225	--
3545 <i>Other Committed Fund Balance</i>	7,562,280	--
Assigned Fund Balances:		
3590 <i>Other Assigned Fund Balance</i>	--	--
3600 <i>Unassigned</i>	8,493,101	--
3000 Total Fund Balances	<u>26,102,628</u>	<u>6,049,874</u>
Total Liabilities, Deferred Inflow		
4000 of Resources and Fund Balances	<u>\$ 27,881,812</u>	<u>\$ 6,233,018</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund - 2013	Other Governmental Funds	98 Total Governmental Funds
\$ 23,293,257	\$ 2,827,363	\$ 56,453,203
--	45,270	316,809
--	116,133	598,665
--	--	2,952,728
--	--	3,426
--	--	6,272
--	--	65,750
<u>23,293,257</u>	<u>2,988,766</u>	<u>60,396,853</u>
\$ 2,225,649	\$ 26,674	\$ 2,530,083
--	--	70,295
--	--	1,032,734
2,761,706	--	2,944,850
--	--	66,570
--	--	200
--	3,451	52,800
--	--	10,738
<u>4,987,355</u>	<u>30,125</u>	<u>6,708,270</u>
--	45,269	316,807
<u>--</u>	<u>45,269</u>	<u>316,807</u>
--	--	6,272
--	--	65,750
--	1,233	1,233
--	2,721,406	2,721,406
18,305,902	750	24,356,526
--	--	9,975,225
--	--	7,562,280
--	189,983	189,983
--	--	8,493,101
<u>18,305,902</u>	<u>2,913,372</u>	<u>53,371,776</u>
<u>\$ 23,293,257</u>	<u>\$ 2,988,766</u>	<u>\$ 60,396,853</u>

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GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2014*

Total fund balances - governmental funds balance sheet	\$ 53,371,776
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	53,711,968
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	316,805
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	1,601,963
Payables for bond principal which are not due in the current period are not reported in the funds.	(44,755,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(117,229)
Payables for bond interest which are not due in the current period are not reported in the funds.	(64,239)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(2,410,647)
Deferred charge for refunding is expended in the funds, but is amortized in the statement of net position.	<u>1,084,291</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 62,739,688</u>

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	60 Capital Projects Fund - 2012
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 15,003,687	\$ 9,667
5800 <i>State Program Revenues</i>	20,517,052	--
5900 <i>Federal Program Revenues</i>	138,690	--
5020 Total Revenues	<u>35,659,429</u>	<u>9,667</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	17,528,235	--
0012 <i>Instructional Resources and Media Services</i>	1,277,437	--
0013 <i>Curriculum and Staff Development</i>	148,984	--
0021 <i>Instructional Leadership</i>	528,579	--
0023 <i>School Leadership</i>	1,924,720	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	933,805	--
0033 <i>Health Services</i>	470,781	--
0034 <i>Student Transportation</i>	834,038	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	908,490	--
0041 <i>General Administration</i>	1,391,225	--
0051 <i>Facilities Maintenance and Operations</i>	3,712,706	--
0052 <i>Security and Monitoring Services</i>	97,537	--
0053 <i>Data Processing Services</i>	7,360	--
0061 <i>Community Services</i>	--	--
0071 <i>Principal on Long-term Debt</i>	307,795	--
0072 <i>Interest on Long-term Debt</i>	44,352	--
0073 <i>Bond Issuance Costs and Fees</i>	--	6,500
0081 <i>Capital Outlay</i>	786,184	998,875
0093 <i>Payments to Shared Service Arrangements</i>	944,864	--
0097 <i>Payments to Tax Increment Fund</i>	136,217	--
0099 <i>Other Intergovernmental Charges</i>	264,724	--
6030 Total Expenditures	<u>32,248,033</u>	<u>1,005,375</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>3,411,396</u>	<u>(995,708)</u>
Other Financing Sources and (Uses):		
7949 <i>Other Resources - Chapter 313 Payment</i>	334,159	--
7080 Total Other Financing Sources and (Uses)	<u>334,159</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>3,745,555</u>	<u>(995,708)</u>
0100 Fund Balances - Beginning	<u>22,357,073</u>	<u>7,045,582</u>
3000 Fund Balances - Ending	<u>\$ 26,102,628</u>	<u>\$ 6,049,874</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

60 Capital Projects Fund - 2013	Other Governmental Funds	98 Total Governmental Funds
\$ 33,690	\$ 2,680,397	\$ 17,727,441
1,721	833,197	21,351,970
--	1,554,500	1,693,190
<u>35,411</u>	<u>5,068,094</u>	<u>40,772,601</u>
--	1,344,190	18,872,425
--	9,993	1,287,430
--	49,648	198,632
--	81,440	610,019
--	227,738	2,152,458
--	174,050	1,107,855
--	43,894	514,675
--	--	834,038
--	12,186	12,186
--	83,420	991,910
--	213	1,391,438
--	1,353	3,714,059
--	--	97,537
--	--	7,360
--	6,413	6,413
--	1,850,000	2,157,795
--	1,546,206	1,590,558
--	2,700	9,200
5,013,162	--	6,798,221
--	--	944,864
--	--	136,217
--	--	264,724
<u>5,013,162</u>	<u>5,433,444</u>	<u>43,700,014</u>
<u>(4,977,751)</u>	<u>(365,350)</u>	<u>(2,927,413)</u>
--	--	334,159
--	--	334,159
<u>(4,977,751)</u>	<u>(365,350)</u>	<u>(2,593,254)</u>
23,283,653	3,278,722	55,965,030
<u>\$ 18,305,902</u>	<u>\$ 2,913,372</u>	<u>\$ 53,371,776</u>

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2014*

Net change in fund balances - total governmental funds	\$ (2,593,254)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	6,864,538
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,518,522)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(882)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,119,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	38,795
(Increase) decrease in accrued interest from beginning of period to end of period.	4,055
The net revenue (expense) of internal service funds is reported with governmental activities.	179,274
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	<u>93,029</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 5,186,033</u>

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

AUGUST 31, 2014

Data Control Codes	Enterprise Fund <u>National Breakfast/Lunch Program</u>	Nonmajor Internal Service Fund <u>Worker's Comp. Insurance Fund</u>
ASSETS:		
Current Assets:		
1110	\$ 762,095	\$ 1,734,030
Receivables:		
1240	25,855	--
1290	1,782	--
	<u>789,732</u>	<u>1,734,030</u>
Noncurrent Assets:		
Capital Assets:		
1530	833,425	--
1570	(527,841)	--
	<u>305,584</u>	<u>--</u>
1000	<u>1,095,316</u>	<u>1,734,030</u>
LIABILITIES:		
Current Liabilities:		
2110	\$ 44,785	\$ --
2170	--	7,878
2200	--	124,189
2300	27,335	--
	<u>72,120</u>	<u>132,067</u>
2000	<u>72,120</u>	<u>132,067</u>
NET POSITION:		
3200	305,584	--
3800	717,612	--
3900	--	1,601,963
3000	<u>\$ 1,023,196</u>	<u>\$ 1,601,963</u>

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Enterprise Fund <u>National Breakfast/Lunch Program</u>	Nonmajor Internal Service Fund <u>Worker's Comp. Insurance Fund</u>
OPERATING REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 1,301,244	\$ 317,747
5800 <i>State Program Revenues</i>	11,079	--
5020 <i>Total Revenues</i>	<u>1,312,323</u>	<u>317,747</u>
OPERATING EXPENSES:		
6100 <i>Payroll Costs</i>	828,610	--
6200 <i>Professional and Contracted Services</i>	62,142	52,000
6300 <i>Supplies and Materials</i>	1,287,006	--
6400 <i>Other Operating Costs</i>	177,294	87,004
6030 <i>Total Expenses</i>	<u>2,355,052</u>	<u>139,004</u>
Operating Income (Loss)	<u>(1,042,729)</u>	<u>178,743</u>
NON-OPERATING REVENUES (EXPENSES):		
7952 <i>National School Breakfast Program</i>	210,457	--
7953 <i>National School Lunch Program</i>	767,953	--
7954 <i>USDA Donated Commodities</i>	101,729	--
7955 <i>Earnings from Temp. Deposits and Investments</i>	--	531
8030 <i>Total Non-operating Revenues (Expenses)</i>	<u>1,080,139</u>	<u>531</u>
1300 <i>Change in Net Position</i>	37,410	179,274
0100 <i>Total Net Position - Beginning</i>	985,786	1,422,689
3300 <i>Total Net Position - Ending</i>	<u>\$ 1,023,196</u>	<u>\$ 1,601,963</u>

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2014

	Enterprise Funds National Breakfast/Lunch Program	Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 1,301,244	\$ --
Cash Received from Grants	11,079	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	--	317,747
Cash Payments to Employees for Services	(828,610)	--
Cash Payments to Other Suppliers for Goods and Services	(1,455,155)	(153,869)
Net Cash Provided (Used) by Operating Activities	<u>(971,442)</u>	<u>163,878</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Grants	1,080,139	--
Acquisition or Construction of Capital Assets	(15,041)	--
Retirement of Capital Assets	10,425	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>1,075,523</u>	<u>--</u>
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	--	531
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>531</u>
Net Increase (Decrease) in Cash and Cash Equivalents	104,081	164,409
Cash and Cash Equivalents at Beginning of Year	658,014	1,569,621
Cash and Cash Equivalents at End of Year	<u>\$ 762,095</u>	<u>\$ 1,734,030</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ (1,042,729)	\$ 178,743
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	61,485	--
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(2,245)	--
Increase (Decrease) in Accounts Payable	10,500	(3,261)
Increase (Decrease) in Due to Other Funds	(65)	(13,832)
Increase (Decrease) in Accrued Expenses	--	2,228
Increase (Decrease) in Unearned Revenue	1,612	--
Total Adjustments	<u>71,287</u>	<u>(14,865)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (971,442)</u>	<u>\$ 163,878</u>

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2014

Data Control Codes		Agency Fund
		Student Activity
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 165,729
1000	Total Assets	<u>165,729</u>
LIABILITIES:		
Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 165,729
2000	Total Liabilities	<u>165,729</u>
NET POSITION:		
9000	Total Net Position	<u>\$</u>

The accompanying notes are an integral part of this statement.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The District reports the following major governmental funds:

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

Capital Projects Fund - 2012: The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Capital Projects Fund - 2013: The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

The District reports the following major enterprise funds:

Food Service Fund: This fund is used to account for child nutrition service operations financed from the NSLP program and user charges.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30,

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB standards.

c. Implementation of GASB Statement No. 65

GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. The District has implemented the new requirements for the Fiscal Year Ended, August 31, 2014 financial statements.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	10
Equipment	10

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

Except for delinquent taxes, there are no significant receivables which are not scheduled for collection within one year of year end.

g. Interfund Activity

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

h. Use of Estimates

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

i. Data Control Codes

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
Several functional expenditures exceeded functional appropriation and other uses in the following funds: General Fund Child Nutrition Enterprise Fund	In the future, the budget will be amended before overspending.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

2. Deficit Fund Balance or Fund Net Position of Individual Funds

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

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

C. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Texas Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

1. Cash Deposits:

At August 31, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,598,990 and the bank balance was \$2,324,823. The District's cash deposits at August 31, 2014 and during the year ended August 31, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

As of August 31, 2014, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 2</u>	<u>2 to 3</u>
Investment Pools:				
Investment in TexPool	3,942,034	3,942,034	--	--
Investment in Lone Star Pool	53,574,033	53,574,033	--	--
Total Fair Value	<u>\$ 57,516,067</u>	<u>\$ 57,516,067</u>	<u>\$ --</u>	<u>\$ --</u>

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2014

Interest Rate Risk - In accordance with state law and District policy, the District does not purchase any investments with maturities greater than 10 years.

Credit Risk - In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. The District's investments in investment pools were rated AAA.

Concentration of Credit Risk - The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a custodial credit risk.

The local government investment pools such as TexPool and Lone Star Pool are not evidenced by securities in physical form. They are managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pools both seek to maintain a \$1 value per share as required by the Texas Public Funds Investment Act.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's position in TexPool is the same as the value of TexPool shares.

Lone Star Investment Pool is administered by FIRST Public. The fair value of the funds in Lone Star is also the same as the value of Lone Star shares.

D. Capital Assets

Capital asset activity for the year ended August 31, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,798,625	\$ --	\$ --	\$ 1,798,625
Construction in progress	13,670	5,939,507	13,670	5,939,507
Total capital assets not being depreciated	1,812,295	5,939,507	13,670	7,738,132
<i>Capital assets being depreciated:</i>				
Buildings and improvements	61,298,439	616,166	--	61,914,605
Equipment	1,573,332	34,231	--	1,607,563
Vehicles	2,093,511	288,304	115,675	2,266,140
Total capital assets being depreciated	64,965,282	938,701	115,675	65,788,308
Less accumulated depreciation for:				
Buildings and improvements	(16,668,728)	(1,225,426)	--	(17,894,154)
Equipment	(604,745)	(144,100)	--	(748,845)
Vehicles	(1,138,152)	(148,996)	(115,675)	(1,171,473)
Total accumulated depreciation	(18,411,625)	(1,518,522)	(115,675)	(19,814,472)
Total capital assets being depreciated, net	46,553,657	(579,821)	--	45,973,836
Governmental activities capital assets, net	\$ 48,365,952	\$ 5,359,686	\$ 13,670	\$ 53,711,968

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Business-type activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ --	\$ --	\$ --	\$ --
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	--	--	--	--
Equipment	794,928	15,041	10,425	799,544
Vehicles	33,883	--	--	33,883
Total capital assets being depreciated	<u>828,811</u>	<u>15,041</u>	<u>10,425</u>	<u>833,427</u>
Less accumulated depreciation for:				
Buildings and improvements	--	--	--	--
Equipment	(442,643)	(65,393)	(7,297)	(500,739)
Vehicles	(23,718)	(3,388)	--	(27,106)
Total accumulated depreciation	<u>(466,361)</u>	<u>(68,781)</u>	<u>(7,297)</u>	<u>(527,845)</u>
Total capital assets being depreciated, net	<u>362,450</u>	<u>(53,740)</u>	<u>3,128</u>	<u>305,582</u>
Business-type activities capital assets, net	<u>\$ 362,450</u>	<u>\$ (53,740)</u>	<u>\$ 3,128</u>	<u>\$ 305,582</u>

Governmental Activities depreciation was charged to functions as follows:

Instruction	\$ 900,877
Instructional Resources and Media Services	28,585
Curriculum and Staff Development	2,602
Instructional Leadership	27,479
School Leadership	97,948
Guidance, Counseling, & Evaluation Services	49,386
Health Services	20,533
Student Transportation	148,996
Food Services	68,781
Extracurricular Activities	26,039
General Administration	48,467
Plant Maintenance and Operations	97,525
Security and Monitoring Services	889
Facilities Acquisition and Construction	415
	<u>\$ 1,518,522</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2014, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Capital Projects Fund - 2012	\$ 183,144	Expenditures reimbursement
General Fund	Capital Projects Fund - 2013	2,761,706	Expenditures reimbursement
General Fund	Internal Service Fund	7,878	Short-term loans
	Total	<u>\$ 2,952,728</u>	

All amounts due are scheduled to be repaid within one year.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

2. Transfers To and From Other Funds

There are no transfers to and from other funds at August 31, 2014.

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2014, are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/13	Issued	Retired	Amounts Outstanding 8/31/14	Amounts Due Within One Year
Unlimited Tax Refunding Bonds Series 2005	2.50% to 8.19622%	20,224,998	1,850,000	--	1,850,000	--	--
Public Property Finance Contractual Obligations Series 2012	1.79%	2,864,000	2,604,000	--	269,000	2,335,000	274,000
Unlimited Tax Refunding Bonds Series 2013	4.00%	13,050,000	13,050,000	--	--	13,050,000	1,935,000
Unlimited Tax Refunding Bonds Series 2013	3.50%	6,565,000	6,565,000	--	--	6,565,000	--
Unlimited Tax School Building Bonds Series 2013	3.00% to 4.00%	22,805,000	22,805,000	--	--	22,805,000	--
Subtotals			46,874,000	--	2,119,000	44,755,000	2,209,000
Bond Premium on Refunding			2,695,623	--	284,976	2,410,647	284,976
Total Bonds			49,569,623	--	2,403,976	47,165,647	2,493,976
Other Liabilities:							
Capital Leases			156,023	--	38,794	117,229	38,935
Total Governmental Activities			\$ 49,725,646	\$ --	\$ 2,442,770	\$ 47,282,876	\$ 2,532,911

The Debt Service Fund makes the debt payments for the Unlimited Tax Bonds and the General Fund pays the debt for the Contractual Obligation Bonds.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

2. Debt Service Requirements

Debt service requirements on long-term debt for bonds payable by the Debt Service fund at August 31, 2014, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 2,209,000	\$ 1,500,600	\$ 3,709,600
2016	2,309,000	1,416,351	3,725,351
2017	2,414,000	1,328,112	3,742,112
2018	2,509,000	1,235,984	3,744,984
2019	2,604,000	1,140,166	3,744,166
2020-2024	10,950,000	4,628,828	15,578,828
2025-2029	11,125,000	2,857,381	13,982,381
2030-2033	10,635,000	936,338	11,571,338
Totals	\$ 44,755,000	\$ 15,043,760	\$ 59,798,760

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

There were no defeased bonds outstanding at August 31, 2014.

3. Capital Leases

During 2013, the District entered into a lease agreement to upgrade the Districts IP telephone system at a cost of \$195,383. The District made an initial down payment of \$39,360 and financed the remaining \$156,023. The lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of future minimum lease payments as of the date of inception.

Future combined minimum lease payments to be paid by the General Fund are as follows:

Year Ending August 31,	
2015	\$ 39,360
2016	39,360
2017	39,360
Total	<u>118,080</u>
Less amount representing interest (Rate 0.35%)	(851)
Present value of future minimum lease payments	<u>\$ 117,229</u>

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Unemployment Compensation

During the year ended August 31, 2014, Gregory-Portland ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct an independent financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

Worker's Compensation

The District has established the Worker's Compensation Internal Service Fund to account for and finance workers compensation claims. It is a modified self-insurance plan, known as SchoolComp. The Plan year began September 1, 2013 and ended September 1, 2014. The District's maximum financial exposure for the plan year is \$242,440. Any costs above \$242,440 for the 2013-2014 plan year are the shared responsibility of the remaining School Comp members. The District's self-insured retention per occurrence is \$75,000.

Costs for any one claim above the self-insured retention are the shared responsibility of the remaining SchoolComp members. Excess insurance is provided by Safety National Casualty Corporation and admitted carrier. The policy provides for specific stop-loss attachment at \$350,000 per occurrence and aggregate stop-loss attachment at \$7,432,320. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the District participate in the program and make payments to the fund based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for losses relating to catastrophes. That reserve was \$1,422,689 at 8/31/14 and is reported as net assets in the Workers' Compensation Internal Service Fund. The claims liability of \$124,189 reported in the fund at 8/31/14, is based on the requirements of Governmental Accounting Standards Board 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the balances of claims liabilities during the past two years are:

	Year Ended 08/31/14	Year Ended 08/31/13
Unpaid claims, beginning of year	\$ 121,961	\$ 132,369
Current year claims and changes in estimate	51,266	64,609
Claim payments	(49,038)	(75,017)
Unpaid claims, end of year	<u>\$ 124,189</u>	<u>\$ 121,961</u>

H. Pension Plan

1. Plan Description

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013 and 2012, and a state contribution rate of 6.8% for fiscal year 2014, 6.4 % for fiscal year 2013, and 6.0% for fiscal year 2012. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2014, 2013 and 2012 were \$1,377,198, \$1,309,687 and \$1,276,078, respectively. The District paid additional state contributions for the years ending August 31, 2014, 2013 and 2012 in the amount of \$218,487, \$201,140 and \$190,501, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal year 2014, 0.5% for fiscal year 2013 and 1.0% for fiscal year 2012 and the active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. For the years ended August 31, 2014, 2013, and 2012, the State's contributions to TRS-Care were \$215,188, \$204,639, and \$199,387, respectively, the active member contributions were \$139,873, \$133,015, and \$129,604, respectively, and the District's contributions were \$118,353, \$112,554, and \$109,669, respectively, which equaled the required contributions each year.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2014

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2014, 2013, and 2012, the subsidy payments received by TRS-Care on behalf of the District were \$55,616, \$51,680, and \$52,352, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2014, and terms of coverage and premium costs are included in the contractual provisions.

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

K. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2014.

L. Unearned Revenue

Unearned revenue at year end consisted of the following:

Revenue Description	General Fund	Other Governmental Funds	Total Governmental Funds	Food Service Enterprise Fund
State Entitlements	\$ --	\$ 1,740	\$ 1,740	\$ 27,335
Federal Grant Programs	--	1,666	1,666	--
Other	49,349	45	49,394	--
Total Unearned Revenue	\$ 49,349	\$ 3,451	\$ 52,800	\$ 27,335

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014*

M. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2014, are reported on the combined financial statements as Due from Other Governments and are summarized below:

Fund	State Entitlements	Federal Grants	Other	Total
General	\$ 482,532	\$ --	\$ --	\$ 482,532
Other Governmental Funds	--	116,133	--	116,133
Total Governmental Funds	\$ 482,532	\$ 116,133	\$ --	\$ 598,665
Enterprise Fund	--	25,855	--	25,855
Total	\$ 482,532	\$ 141,988	\$ --	\$ 624,520

N. Fund Balances

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2014:

General Fund

Nonspendable:	
Inventories	\$ 6,272
Prepaid Items	65,750
	<u>72,022</u>
Committed:	
Land and building purchase	1,000,000
Potential tax settlement	1,800,000
Major maintenance	3,512,280
Claims and judgments	250,000
Insurance deductible	1,000,000
Construction	9,975,225
	<u>17,537,505</u>
Unassigned:	<u>8,493,101</u>
Total General Fund fund balance	<u>26,102,628</u>

Capital Projects Fund - 2012

Restricted	
Construction	<u>6,049,874</u>

Capital Projects Fund - 2013

Restricted	
Construction	<u>18,305,902</u>

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

Other Governmental Funds

Restricted:	
State Textbook Fund	1,233
Spectra Energy Foundation	750
Retirement of Long-term debt	2,721,406
	<u>2,723,389</u>
Assigned:	
Campus Activity	<u>189,983</u>
Total Other Governmental Fund fund balance	<u>2,913,372</u>
Total Governmental fund balance	<u>\$ 53,371,776</u>

O. Texas Economic Development Code, Chapter 313

The District is a participant in a Chapter 313 program. The purpose of this program is to attract large-scale projects by the school district offering a business property value limitation that reduces its property tax liability for an eight-year period. During 2014, the District received \$334,159 from the company in payment for revenue loss, which was provided for in the Chapter 313 agreement with the company.

P. Construction Commitments

The District has several construction projects in various stages of development:

- * Replacement school for East Cliff Elementary School
- * Stephen F. Austin Elementary School Addition
- * New Gregory-Portland ISD Athletic Complex

Each of these projects are part of voter approved Bond Issues that are being managed by the District's administrative staff with support from architects, construction managers, legal counsel, and other related service providers. The school board is providing the oversight required by law and board policy. Any additional information may be requested from the Office of the Chief Financial Officer at (361) 777-1091.

Q. Restatement of Net Position

The beginning Net Position for Governmental Activities was restated to implement the Governmental Accounting Standards Board (GASB) Statement No. 65 that eliminated Capitalized Bond and Other Debt Issuance Costs from Assets on the Statement of Net Position. Restatement is as follows:

	Governmental Activities Net Position	Business-type Activities Net Position	Total Net Position
Beginning Net Position, as previously reported	\$ 58,163,849	\$ 985,786	\$ 59,149,635
Restatement for Capitalized Bonds and other Debt Issuance Costs, net of amortization	(610,194)	--	(610,194)
Beginning Net Position, as restated	<u>\$ 57,553,655</u>	<u>\$ 985,786</u>	<u>\$ 58,539,441</u>

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Required Supplementary Information

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

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT G-1
 Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 14,275,000	\$ 14,346,035	\$ 15,003,687	\$ 657,652
5800	State Program Revenues	19,275,000	19,275,000	20,517,052	1,242,052
5900	Federal Program Revenues	150,000	150,000	138,690	(11,310)
5020	Total Revenues	33,700,000	33,771,035	35,659,429	1,888,394
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	17,910,917	18,045,156	17,528,235	516,921
0012	Instructional Resources and Media Services	1,272,221	1,343,256	1,277,437	65,819
0013	Curriculum and Staff Development	204,050	226,234	148,984	77,250
	Total Instruction & Instr. Related Services	19,387,188	19,614,646	18,954,656	659,990
Instructional and School Leadership:					
0021	Instructional Leadership	536,969	569,159	528,579	40,580
0023	School Leadership	1,993,083	1,994,273	1,924,720	69,553
	Total Instructional & School Leadership	2,530,052	2,563,432	2,453,299	110,133
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	929,140	929,140	933,805	(4,665)
0033	Health Services	505,095	554,562	470,781	83,781
0034	Student (Pupil) Transportation	842,670	957,670	834,038	123,632
0036	Cocurricular/Extracurricular Activities	975,705	974,935	908,490	66,445
	Total Support Services - Student (Pupil)	3,252,610	3,416,307	3,147,114	269,193
Administrative Support Services:					
0041	General Administration	1,675,210	1,675,210	1,391,225	283,985
	Total Administrative Support Services	1,675,210	1,675,210	1,391,225	283,985
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	3,877,160	3,877,160	3,712,706	164,454
0052	Security and Monitoring Services	107,416	114,916	97,537	17,379
0053	Data Processing Services	11,500	11,500	7,360	4,140
	Total Support Services - Nonstudent Based	3,996,076	4,003,576	3,817,603	185,973
Debt Service:					
0071	Principal on Long-Term Debt	260,000	307,795	307,795	--
0072	Interest on Long-Term Debt	92,784	44,989	44,352	637
	Total Debt Service	352,784	352,784	352,147	637
Capital Outlay:					
0081	Capital Outlay	82,200	2,664,809	786,184	1,878,625
	Total Capital Outlay	82,200	2,664,809	786,184	1,878,625
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	928,880	928,880	944,864	(15,984)
0097	Payments to Tax Increment Fund	--	--	136,217	(136,217)
0099	Other Intergovernmental Charges	280,000	280,000	264,724	15,276
	Total Intergovernmental Charges	1,208,880	1,208,880	1,345,805	(136,925)
6030	Total Expenditures	32,485,000	35,499,644	32,248,033	3,251,611

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	1,215,000	(1,728,609)	3,411,396	5,140,005
	Other Financing Sources (Uses):				
7949	Other Resources	--	300,000	334,159	34,159
7080	Total Other Financing Sources and (Uses)	--	300,000	334,159	34,159
1200	Net Change in Fund Balance	1,215,000	(1,428,609)	3,745,555	5,174,164
0100	Fund Balance - Beginning	22,357,073	22,357,073	22,357,073	--
3000	Fund Balance - Ending	\$ 23,572,073	\$ 20,928,464	\$ 26,102,628	\$ 5,174,164

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2014

EXHIBIT G-2

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-1

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 ENTERPRISE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
OPERATING REVENUES:					
5700	Local and Intermediate Sources	\$ 1,274,478	\$ 1,274,478	\$ 1,301,244	\$ 26,766
5800	State Program Revenues	11,000	11,000	11,079	79
5020	Total Revenues	1,285,478	1,285,478	1,312,323	26,845
OPERATING EXPENSES:					
6100	Payroll Costs	851,800	851,800	828,610	23,190
6200	Professional and Contracted Services	70,500	70,500	62,142	8,358
6300	Supplies and Materials	1,387,028	1,451,928	1,287,006	164,922
6400	Other Operating Costs	69,000	69,000	177,294	(108,294)
6600	Capital Outlay - Land, Buildings & Equipment	--	15,100	--	15,100
6030	Total Expenses	2,378,328	2,458,328	2,355,052	103,276
	Operating Income (Loss)	(1,092,850)	(1,172,850)	(1,042,729)	130,121
NON-OPERATING REVENUES (EXPENSES):					
7952	National School Breakfast Program	222,191	222,191	210,457	(11,734)
7953	National School Lunch Program	816,659	816,659	767,953	(48,706)
7954	USDA Donated Commodities	50,000	50,000	101,729	51,729
7955	Earnings from Temp. Deposits and Investments	4,000	4,000	--	(4,000)
8030	Total Non-operating Revenues (Expenses)	1,092,850	1,092,850	1,080,139	(12,711)
1300	Change in Net Position	--	(80,000)	37,410	117,410
0100	Total Net Position - Beginning	--	--	985,786	985,786
3300	Total Net Position - Ending	\$ --	\$ (80,000)	\$ 1,023,196	\$ 1,103,196

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Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2014

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2005 and Prior Years	\$	Various	\$	Various	\$	Various
2006		1.50		.24		826,708,229
2007		1.37		.24		876,526,259
2008		1.04		.32		1,010,112,247
2009		1.17		.19		1,135,213,714
2010		1.17		.19		1,156,862,116
2011		1.17		.20		1,090,810,194
2012		1.17		.20		1,034,995,666
2013		1.17		.18		1,072,620,402
2014 (School Year Under Audit)		1.17		.18		1,244,177,778
1000 Totals						

10 Beginning Balance 9/1/13	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/14
\$ 154,817	\$ --	\$ 5,633	\$ 957	\$ 306	\$ 148,633
18,497	--	1,342	215	(1)	16,939
25,542	--	2,110	370	--	23,062
25,358	--	1,303	401	--	23,654
29,753	--	3,433	557	34	25,797
43,868	--	13,164	2,138	8,260	36,826
52,482	--	21,097	3,606	7,547	35,326
78,851	--	33,367	5,704	6,012	45,792
206,110	--	40,302	6,200	(92,696)	66,912
--	16,796,400	14,324,502	2,311,330	50,106	210,674
<u>\$ 635,378</u>	<u>\$ 16,796,400</u>	<u>\$ 14,446,253</u>	<u>\$ 2,331,478</u>	<u>\$ (20,432)</u>	<u>\$ 633,615</u>

Levies and Collections

Fiscal Year End	Levy Year	Adjusted Tax Levy	Current Collections	Percent of Levy
08/31/06	2005	14,119,128	13,851,810	98.11%
08/31/07	2006	14,454,054	13,941,044	96.45%
08/31/08	2007	13,796,567	13,439,332	97.41%
08/31/09	2008	14,803,546	14,401,197	97.28%
08/31/10	2009	15,109,246	14,764,585	97.72%
08/31/11	2010	15,131,139	14,828,259	98.00%
08/31/12	2011	15,463,629	15,238,841	98.55%
08/31/13	2012	14,652,131	14,446,021	98.59%
08/31/14	2013	16,846,506	16,635,832	98.75%

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources	\$ 2,255,000	\$ 2,255,000	\$ 2,354,638	\$ 99,638		
5800	State Program Revenues	479,100	479,100	667,223	188,123		
5020	Total Revenues	<u>2,734,100</u>	<u>2,734,100</u>	<u>3,021,861</u>	<u>287,761</u>		
EXPENDITURES:							
Debt Service:							
0071	Principal on Long-Term Debt	1,850,000	1,850,000	1,850,000	--		
0072	Interest on Long-Term Debt	1,546,206	1,546,206	1,546,206	--		
0073	Bond Issuance Costs and Fees	3,794	3,794	2,700	1,094		
	Total Debt Service	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,398,906</u>	<u>1,094</u>		
6030	Total Expenditures	<u>3,400,000</u>	<u>3,400,000</u>	<u>3,398,906</u>	<u>1,094</u>		
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	(665,900)	(665,900)	(377,045)	288,855		
1200	Net Change in Fund Balance	<u>(665,900)</u>	<u>(665,900)</u>	<u>(377,045)</u>	<u>288,855</u>		
0100	Fund Balance - Beginning	3,098,451	3,098,451	3,098,451	--		
3000	Fund Balance - Ending	<u>\$ 2,432,551</u>	<u>\$ 2,432,551</u>	<u>\$ 2,721,406</u>	<u>\$ 288,855</u>		

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

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

Board of Trustees
Gregory-Portland Independent School District
608 College Street
Portland, Texas 78374

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gregory-Portland Independent School District, as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise Gregory-Portland Independent School District's basic financial statements, and have issued our report thereon dated December 8, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 8, 2014

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

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

Board of Trustees
Gregory-Portland Independent School District
608 College Street
Portland, Texas 78374

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Gregory-Portland Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Gregory-Portland Independent School District's major federal programs for the year ended August 31, 2014. Gregory-Portland Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Gregory-Portland Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Lovvorn & Kieschnick, LLP

Corpus Christi, TX
December 8, 2014

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A - Improving Basic Programs
84.367A	Title II, Part A - Teacher & Principal Training & Recruiting

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No prior findings		

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

Program

Corrective Action Plan

N/A

No corrective action required

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Education:			
Medicaid Administration Claiming Program	93.778	205-902	\$ 3,531
Total U. S. Department of Health and Human Services			<u>3,531</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	14610101205902	550,627
IDEA-B Cluster:			
IDEA-B Formula	84.027A	146600012059026601	751,786
IDEA-B Preschool	84.173A	146610012059026611	14,892
IDEA-B Discretionary	84.027A	14660006205902	43,894
Total IDEA-B Cluster			<u>810,572</u>
Career and Technical - Basic Grant	84.048A	14420006205902	36,836
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	14694501205902	144,279
Total Passed Through State Department of Education			<u>1,542,314</u>
Passed Through Direct Program:			
Impact Aid - P.L. 81.874	84.041	205-902	91
Total U. S. Department of Education			<u>1,542,405</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	205-902	210,457
National School Lunch Program	10.555	205-902	767,953
Summer Feeding Program	10.559	205-902	12,186
Total Child Nutrition Cluster			<u>990,596</u>
Commodity Supplemental Food Program	10.565	205-902	101,729
Total Passed Through State Department of Education			<u>1,092,325</u>
Total U. S. Department of Agriculture			<u>1,092,325</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>2,638,261</u>

The accompanying notes are an integral part of this schedule.

GREGORY-PORTLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

Note 1: Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	1,693,190
Add: Child Nutrition Program Revenues Reported in Enterprise Fund Exhibit D-2	1,080,139
Less: School Health & Related Services (SHARS) revenues reported in General Fund	<u>(135,068)</u>
Total Federal Revenues per Schedule of Expenditures of Federal Awards	<u><u>2,638,261</u></u>

Note 2: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Gregory-Portland Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.