

**GAINESVILLE INDEPENDENT  
SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
AUGUST 31, 2017**

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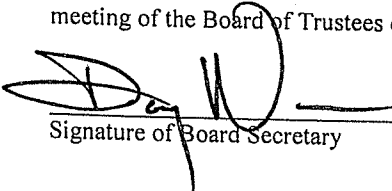
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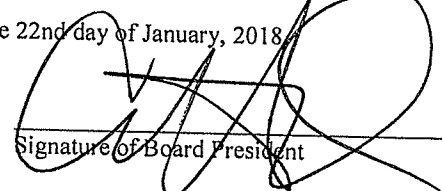
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CERTIFICATE OF BOARD

Gainesville Independent School District                      Cooke                      049901  
Name of School District                      County                      Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved \_\_\_\_\_ disapproved for the year ended August 31, 2017 at a meeting of the Board of Trustees of such school district on the 22nd day of January, 2018.

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

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

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

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**GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2017**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
 Gainesville Independent School District  
 Gainesville, TX

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gainesville Independent School District (the District), as of and for the year ended August 31, 2017, 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 from 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, each major fund, and the aggregate remaining fund information of the Gainesville Independent School District, as of August 31, 2017 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 9), budgetary comparison information, schedules of TRS net pension liability and District's TRS contributions (pages 37 through 40) 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.~~

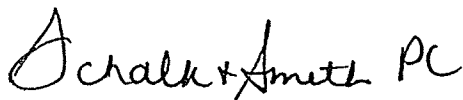
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gainesville Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the Texas Education Agency required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is in Exhibits identified in the Table of Contents as H-1, H-2, and J-1 through J-3. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Texas Education Agency and the schedule 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, based on our audit, the combining and individual nonmajor fund financial statements, the required TEA schedules and the schedule of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the Gainesville 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 Gainesville Independent School District's internal control over financial reporting and compliance.



Schalk & Smith, P.C.  
December 22, 2017



## GAINESVILLE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Gainesville Independent School District (the "District"), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2017. Please read it in conjunction with the independent auditor's report on pages 2 and 3 and the District's Basic Financial Statements that begin on page 10.

### FINANCIAL HIGHLIGHTS

- The District's combined net position was \$30,176,894 at August 31, 2017, an increase of \$1,792,916.
- During the year, the District had revenues totaling \$32,969,150 and expenses that totaled \$31,176,234.
- The cost of all the District's programs was \$31,176,234.
- The General Fund ended the year with a fund balance of \$8,028,710.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 17) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### REPORTING THE DISTRICT AS A WHOLE

#### *The Statement of Net Position and the Statement of Activities*

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District's financial situation has improved as a result of the year's activities. The Statement of Net position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some

programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District discloses the following kind of activities:

Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees and state and federal grants finance most of these activities.

### **Reporting the District's Most Significant Funds**

#### *Fund Financial Statements*

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District has only governmental fund types.

Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

### **The District as Trustee**

#### *Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Position on page 16. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental type activities. As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources

exceeded liabilities and deferred inflows of resources by \$30,176,894, which represented an increase of \$1,792,916 over the prior year net position of \$28,383,978. Unrestricted net position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$4,623,275 at August 31, 2017.

Table I  
NET POSITION

	Governmental Activities 2017	Governmental Activities 2016
Current and other assets	\$ 12,162,914	\$ 15,790,181
Capital assets	54,745,922	50,483,071
Total assets	66,908,836	66,273,252
Deferred outflows of resources	3,818,886	4,217,905
Long-term liabilities	36,864,892	38,268,719
Other liabilities	3,309,366	3,422,156
Total liabilities	40,174,258	41,690,875
Deferred inflows of resources	376,570	416,304
Net position		
Invested in capital assets net of related debt	23,731,708	18,081,392
Restricted	1,821,911	1,437,674
Unrestricted	4,623,275	8,864,912
Total net position	\$ 30,176,894	\$ 28,383,978

Investment in capital assets (e.g., land, buildings, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding is \$23,731,708. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's total net position in the amount of \$1,821,911 (approximately 6.04%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$4,623,275) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term commitments* that are less than currently available resources.

**Governmental activities.** The District's total net position increased by \$1,792,916. The total cost of all governmental activities was \$31,176,234, which was \$1,265,671 (4.23%) higher than the previous year.

Table II  
Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016
Revenues:		
Program Revenues:		
Charges for Services	\$ 776,502	\$ 574,758
Operating grants and contributions	6,312,387	6,459,071
General Revenues		
Maintenance and operations taxes	11,511,802	10,397,904
Debt Service taxes	1,076,543	2,402,033
Grants and Contributions not restricted to specific functions	13,165,562	12,035,405
Investment Earnings	68,037	55,752
Miscellaneous	58,317	-
Total Revenue	<u>32,969,150</u>	<u>31,924,923</u>
Expenses:		
Instruction, curriculum and media services	17,426,096	16,728,803
Instructional and school leadership	2,145,286	2,094,909
Student support services	2,134,184	1,871,506
Child nutrition	2,483,545	2,395,596
Co-curricular activities	1,499,035	1,188,408
General Administration	1,096,986	935,013
Plant maintenance, security & data processing	2,933,743	3,312,103
Facilities Acquisition & Construction	71,961	-
Debt services	1,179,746	1,187,488
Other Intergovernmental Charges	205,652	196,737
Total Expenses	<u>31,176,234</u>	<u>29,910,563</u>
Increase in net position	1,792,916	2,014,360
Net position at 9/1	28,383,978	26,369,618
Prior period adjustment	-	-
Net position at 8/31	<u>\$ 30,176,894</u>	<u>\$ 28,383,978</u>

The District took actions this year to compensate for some increases in cost with a projected stable student enrollment.

- The District kept the total property tax rates at \$1.28 per \$100 of valuation for the current year. There was a small increase in assessed valuation. The tax revenues compared to the previous year was a slight decrease of \$211,592. State funding increased by \$1,130,157 during the current year.
- However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through District taxes was \$10,795,429 because some of the costs were paid by those who directly benefited from the programs (\$776,502) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,312,387) or by other miscellaneous sources and investment earnings (\$126,354) or by State equalization funding (\$13,165,562).

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$9,850,621, which is lower than last year's total of \$13,356,876. Unassigned fund balance represents a large portion of total fund balances (\$7,992,606 or 81%) and is available for future spending or unanticipated events such as state funding uncertainties, increased student enrollment, wide swings in total property tax values, future salary increases or unexpected lawsuits. The remainder of fund balance (\$1,858,015 or 19%) is not available for new spending because it has already been restricted or committed for debt retirement, food service and unspent grants.

The General Fund is the primary operating fund of the District. At August 31, 2017, the General Fund had unassigned fund balances of \$7,992,606 and total fund balances of \$8,028,710. As a measure of the General Fund's liquidity, it is useful to compare both fund balance amounts to total fund expenditures plus transfers (\$30,430,783). Unassigned fund balance and total fund balance represent 26.3% and 26.4% of total General Fund expenditures, respectively. The unassigned fund balance represents nearly four months of annual General Fund expenditures.

Total General Fund fund balance decreased by \$3,890,491 during the fiscal year. Key factors related to this change include:

- High School Addition
- Lee Band Hall
- Transfer to Debt Service Fund

### General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2016). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. The third category is amendments for unexpected events.

The District made significant amendments to budgeted expenditures as follows:

Project	Amendment
Edison Roofing Project	\$ 85,798
High School Additions	4,977,743
Lee Band Hall	930,522
Walk in Cooler	90,000
Laptops	65,781
Food Service Truck	55,470
Weight Room Improvements	70,000
Professional Development	111,700

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2017, the District had \$54,745,922 (net of depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The District's major capital asset purchases for the year were high school additions (\$4,810,257), Lee band hall (\$969,623), parking lot improvements (\$50,279), flooring (\$102,069), and walk in cooler (\$90,000). More detailed information about the District's capital assets is presented in Note IV-F to the financial statements. The District had the following capital assets at August 31, 2017 and 2016:

	2017	2016
Land	\$ 2,021,077	\$ 2,021,077
Buildings and improvements, net	51,539,095	47,174,059
Furniture and equipment, net	1,185,750	1,287,935
Total	<u>\$ 54,745,922</u>	<u>\$ 50,483,071</u>

#### **Debt**

At year-end, the District had \$32,547,548 in bonds, tax notes and capital leases outstanding versus \$34,022,119 last year—a decrease of 4.33%. More detailed information about the District's long-term liabilities is presented in Note IV-G to the financial statements.

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

- The district's elected officials considered many factors when setting the fiscal year 2018 budget and tax rates. The primary consideration was setting a tax rate within the limits allowed by the Texas State Legislature. The maintenance and operations rate stayed at \$1.17 per \$100 of valuation and the interest and sinking rate also remained at \$0.11 per \$100 of valuation. With this rate, the District expects to collect approximately \$11,510,005 for maintenance and operations taxes.
- State funding is expected to increase slightly in correlation with enrollment increases.
- The District has discussed the following capital activity for the fiscal year 2018: purchase of a bus, technology upgrades (projectors), track resurface for JH and GHS, new door lock access control and security, and construction of a new Ag Facility.

#### **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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Gainesville Independent School District, 800 S. Morris St., Gainesville, Texas 76240.

**BASIC FINANCIAL STATEMENTS**

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2017

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 7,840,122
1220 Property Taxes Receivable (Delinquent)	426,678
1230 Allowance for Uncollectible Taxes	(42,668)
1240 Due from Other Governments	3,897,260
1290 Other Receivables, net	5,418
1300 Inventories	36,104
Capital Assets:	
1510 Land	2,021,077
1520 Buildings, Net	51,539,095
1530 Furniture and Equipment, Net	1,185,750
1000 Total Assets	<u>66,908,836</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	1,533,334
1705 Deferred Outflow Related to TRS	2,285,552
1700 Total Deferred Outflows of Resources	<u>3,818,886</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	653,019
2140 Interest Payable	106,781
2160 Accrued Wages Payable	1,145,650
2180 Due to Other Governments	35,537
2200 Accrued Expenses	33,086
Noncurrent Liabilities	
2501 Due Within One Year	1,335,293
2502 Due in More Than One Year	31,212,255
2540 Net Pension Liability (District's Share)	5,652,637
2000 Total Liabilities	<u>40,174,258</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	376,570
2600 Total Deferred Inflows of Resources	<u>376,570</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	23,731,708
3820 Restricted for Federal and State Programs	1,046,323
3850 Restricted for Debt Service	657,061
3870 Restricted for Campus Activities	98,527
3890 Restricted for Other Purposes	20,000
3900 Unrestricted	4,623,275
3000 Total Net Position	<u>\$ 30,176,894</u>

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



GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
1	3	4	6	
Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 16,139,560	\$ 143,420	\$ 3,387,454	\$ (12,608,686)
12 Instructional Resources and Media Services	533,147	32,972	26,864	(473,311)
13 Curriculum and Staff Development	753,389	-	326,928	(426,461)
21 Instructional Leadership	421,946	-	28,673	(393,273)
23 School Leadership	1,723,340	54,953	145,191	(1,523,196)
31 Guidance, Counseling and Evaluation Services	701,947	-	74,854	(627,093)
32 Social Work Services	194,536	-	12,433	(182,103)
33 Health Services	363,010	-	53,075	(309,935)
34 Student (Pupil) Transportation	874,691	-	31,066	(843,625)
35 Food Services	2,483,545	251,576	2,093,558	(138,411)
36 Extracurricular Activities	1,499,035	69,460	24,093	(1,405,482)
41 General Administration	1,096,986	1,570	39,869	(1,055,547)
51 Facilities Maintenance and Operations	2,818,064	222,551	67,490	(2,528,023)
52 Security and Monitoring Services	30,142	-	839	(29,303)
53 Data Processing Services	85,537	-	-	(85,537)
72 Debt Service - Interest on Long Term Debt	1,177,746	-	-	(1,177,746)
73 Debt Service - Bond Issuance Cost and Fees	2,000	-	-	(2,000)
81 Capital Outlay	71,961	-	-	(71,961)
99 Other Intergovernmental Charges	205,652	-	-	(205,652)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 31,176,234</b>	<b>\$ 776,502</b>	<b>\$ 6,312,387</b>	<b>(24,087,345)</b>

Data Control Codes	General Revenues:	
MT	Property Taxes, Levied for General Purposes	11,511,802
DT	Property Taxes, Levied for Debt Service	1,076,543
GC	Grants and Contributions not Restricted	13,165,562
IE	Investment Earnings	68,037
MI	Miscellaneous Local and Intermediate Revenue	58,317
TR	<b>Total General Revenues</b>	<b>25,880,261</b>
CN	Change in Net Position	1,792,916
NB	Net Position - Beginning	28,383,978
NE	Net Position--Ending	<b>\$ 30,176,894</b>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2017

EXHIBIT C-1

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 6,613,468	\$ 1,226,654	\$ 7,840,122
1220 Property Taxes - Delinquent	362,200	64,478	426,678
1230 Allowance for Uncollectible Taxes (Credit)	(36,220)	(6,448)	(42,668)
1240 Receivables from Other Governments	2,832,342	1,064,918	3,897,260
1260 Due from Other Funds	178,186	-	178,186
1290 Other Receivables	4,871	547	5,418
1300 Inventories	36,104	-	36,104
1000 Total Assets	<u>\$ 9,990,951</u>	<u>\$ 2,350,149</u>	<u>\$ 12,341,100</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 603,592	\$ 56,238	\$ 659,830
2140 Interest Payable - Current	-	60,991	60,991
2160 Accrued Wages Payable	1,011,701	133,949	1,145,650
2170 Due to Other Funds	-	171,375	171,375
2180 Due to Other Governments	-	35,537	35,537
2200 Accrued Expenditures	20,968	12,118	33,086
2000 Total Liabilities	<u>1,636,261</u>	<u>470,208</u>	<u>2,106,469</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	325,980	58,030	384,010
2600 Total Deferred Inflows of Resources	<u>325,980</u>	<u>58,030</u>	<u>384,010</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	36,104	-	36,104
3445 Other Non-Spendable Fund Balance	-	118,527	118,527
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	1,046,323	1,046,323
3480 Retirement of Long-Term Debt	-	657,061	657,061
3600 Unassigned Fund Balance	7,992,606	-	7,992,606
3000 Total Fund Balances	<u>8,028,710</u>	<u>1,821,911</u>	<u>9,850,621</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,990,951</u>	<u>\$ 2,350,149</u>	<u>\$ 12,341,100</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 AUGUST 31, 2017

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	9,850,621
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$80,957,910 and the accumulated depreciation was (\$30,474,839). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position. Note: Beginning Balances related to TRS are NOT included in this amount.		18,771,012
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to increase net position.		7,542,603
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$5,652,637, a deferred resource inflow related to TRS in the amount of \$376,570 and a deferred resource outflow related to TRS in the amount of \$2,285,552. This amounted to a decrease in net position in the amount of \$3,743,655.		(3,743,655)
4 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,932,355)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(311,332)
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>30,176,894</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT C-3

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 12,000,661	\$ 1,591,080	\$ 13,591,741
5800 State Program Revenues	14,038,851	618,535	14,657,386
5900 Federal Program Revenues	500,780	4,104,116	4,604,896
5020 Total Revenues	<u>26,540,292</u>	<u>6,313,731</u>	<u>32,854,023</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	12,794,592	1,713,868	14,508,460
0012 Instructional Resources and Media Services	487,537	22,106	509,643
0013 Curriculum and Instructional Staff Development	418,654	317,560	736,214
0021 Instructional Leadership	403,953	9,387	413,340
0023 School Leadership	1,585,490	88,429	1,673,919
0031 Guidance, Counseling and Evaluation Services	637,562	39,804	677,366
0032 Social Work Services	191,175	-	191,175
0033 Health Services	306,977	37,883	344,860
0034 Student (Pupil) Transportation	781,653	-	781,653
0035 Food Services	-	2,504,590	2,504,590
0036 Extracurricular Activities	1,263,961	37,478	1,301,439
0041 General Administration	1,071,596	7,047	1,078,643
0051 Facilities Maintenance and Operations	2,798,539	-	2,798,539
0052 Security and Monitoring Services	23,347	-	23,347
0053 Data Processing Services	85,537	-	85,537
Debt Service:			
0071 Principal on Long Term Debt	222,397	1,125,000	1,347,397
0072 Interest on Long Term Debt	62,737	1,158,065	1,220,802
0073 Bond Issuance Cost and Fees	-	2,000	2,000
Capital Outlay:			
0081 Facilities Acquisition and Construction	5,955,702	-	5,955,702
Intergovernmental:			
0099 Other Intergovernmental Charges	205,652	-	205,652
6030 Total Expenditures	<u>29,297,061</u>	<u>7,063,217</u>	<u>36,360,278</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,756,769)</u>	<u>(749,486)</u>	<u>(3,506,255)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	1,133,722	1,133,722
8911 Transfers Out (Use)	(1,133,722)	-	(1,133,722)
7080 Total Other Financing Sources (Uses)	<u>(1,133,722)</u>	<u>1,133,722</u>	<u>-</u>
1200 Net Change in Fund Balances	(3,890,491)	384,236	(3,506,255)
0100 Fund Balance - September 1 (Beginning)	11,919,201	1,437,675	13,356,876
3000 Fund Balance - August 31 (Ending)	<u>\$ 8,028,710</u>	<u>\$ 1,821,911</u>	<u>\$ 9,850,621</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(3,506,255)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2017 capital outlays and debt principal payments is to increase net position.		7,542,603
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,932,355)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		19,741
Current year changes due to GASB 68 increased revenues in the amount of \$138,442 but also increased expenditures in the amount of \$469,260. The net effect on the change in the ending net position was a decrease in the amount of \$330,818.		(330,818)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>1,792,916</b>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2017

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 63,605
Other Receivables	6,811
Total Assets	<u>\$ 70,416</u>
LIABILITIES	
Due to Other Funds	\$ 6,811
Due to Student Groups	63,605
Total Liabilities	<u>\$ 70,416</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Gainesville Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. A seven-member Board of Trustees (the Board), elected by registered voters of the District, is the governing body of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Boards (GASB) and other authoritative sources identified in GASB Statement No. 76, and the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

*Pensions.* The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of August 31, 2017, the District retrospectively/prospectively applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

**A. REPORTING ENTITY**

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the GASB in its Statement No. 14, *The Reporting Entity*. There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by tax revenues, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The District has no *business-type activities*.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories: governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2017

for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations, usually from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating. The District has no proprietary funds.

**C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which are recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable, available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the *susceptible-to-accrual concept*; when they are both measurable and available. The District considers these revenues "available" if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

**D. FUND ACCOUNTING**

The District reports the following major governmental fund:

- The **General Fund** is the District's primary operating fund. It accounts for all financial resources, except those that are required to be accounted for in another fund.

Additionally, the District reports the following fund types:



GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2017

**Governmental Funds:**

- **Special Revenue Funds** account for resources restricted to, or designated for, specific purposes by the District or a grantor. Most Federal and some State financial assistance are accounted for in Special Revenue Funds. Sometimes, unused balances must be returned to the grantor at the close of specified project periods.
- **Debt Service Fund** accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Fiduciary Funds:**

- **Agency Funds** account for resources held by the District for others in a custodial capacity. The District's Agency Funds consist of various school activity funds.

**E. OTHER ACCOUNTING POLICIES**

1. **Cash and cash equivalents** – The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments, which are investments with original maturities of three months or less from date of acquisition.
2. **Inventories** – The District does not report inventories of supplies such as consumable maintenance, instruction, office, athletic, and transportation items due to the value of these items on hand at any given date being deemed immaterial.
3. **Long-term debt** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which is not significantly different from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses at time of bond issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. **Compensated absences** – It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. At August 31, 2017, the District had no material liability for accrued personal leave.
5. **Capital assets** – Capital assets, which include land, buildings, building improvements, and furniture and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2017**

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

Assets	Years
Buildings	39
Building Improvements	39
Infrastructure	50
Vehicles	5-7
Office Equipment	3-10
Computer Equipment	3-5

The District has no restrictions on capital assets.

6. **Fund balances** – According to the District's fund balance policy, fund balance is comprised of the following components:
- **Nonspendable** – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
  - **Restricted** – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws of regulations of other governments.
  - **Committed** – Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees policy or resolution. This includes the budget reserve account. At August 31, 2017, the District had no committed fund balance.
  - **Assigned** – Amounts that are designated by the District for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Trustees. At August 31, 2017, the District had no assigned fund balance.
  - **Unassigned** – All amounts not included in other spendable classifications.

As discussed below, restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the Board of Trustees or the assignment has been changed by the District. Decreases to fund balance first reduce Unassigned Fund Balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order. The details of fund balances are included in the Governmental Funds Balance Sheet, Exhibit C-1.

7. **Net position** – When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first, unless unrestricted assets will have to be returned because they were not used.
8. In addition to assets, the statement of financial position 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 that applies to a future period and so will not be recognized as an outflow of resources until then. The District reported the following Deferred Outflows of Resources on the government wide Statement of Net Position:

Deferred Charge for Refunding	\$ 1,533,334
Deferred Outflow Related to TRS	<u>2,285,552</u>
Total Deferred Outflows of Resources	<u>\$ 3,818,886</u>

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2017**

9. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applied to a future period and so will not be recognized as an inflow of resources (revenue) until that time.. The district reports the following as Deferred Inflows of Resources on the government wide Statement of Net Position:

Deferred Inflow Related to TRS	\$ 376,570
--------------------------------	------------

The District has one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide Statement of Net Position.

10. **Data control codes** – The data control codes refer to the account code structure prescribed by TEA in the *FASRG*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.
11. The District is exposed to various risks of loss related torts, theft, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. During fiscal year 2017, 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.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	Historic Cost	Accumulated Depreciation	Net Value 9/1/2016	Change in Net Position
Land	\$ 2,021,077	\$ -	\$ 2,021,077	
Buildings & Improvements	73,718,501	26,544,442	47,174,059	
Furniture & Equipment	5,218,332	3,930,397	1,287,935	
Construction in Progress	-	-	-	
	<u>\$ 80,957,910</u>	<u>30,474,839</u>	<u>\$ 50,483,071</u>	<u>\$ 50,483,071</u>
<u>Long-term Liabilities at the Beginning of the Year:</u>				
Bonds Payable			29,605,000	
Maintenance Tax Notes Payable			1,716,979	
Capital Lease Payable			<u>\$ 390,080</u>	
			<u>\$ 31,712,059</u>	<u>(31,712,059)</u>
Net Adjustment to Net Position				<u>\$ 18,771,012</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2017

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibits C-2 and C-4 provide reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide Statement of Activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

	Amount	Adjustments to Net Position	Adjustments to Changes in Net Position
<u>Current Year Capital Outlay</u>			
Land	\$ -		
Building & Improvements	5,932,229		
Furniture & Equipment	262,977		
Total Capital Outlay	<u>\$ 6,195,206</u>	\$ 6,195,206	\$ 6,195,206
<u>Debt Principal Payments</u>			
Bonds and Tax Notes Principal	\$ 1,224,000		
Capital Lease Payments	123,397		
Total Debt Principal Payments	<u>1,347,397</u>	1,347,397	1,347,397
Total Adjustment to Net Position		<u>\$ 7,542,603</u>	<u>\$ 7,542,603</u>

Other elements of the reconciliation on Exhibits C-2 and C-4 are described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Net Position	Adjustments to Changes in Net Position
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 174,891		\$ (174,891)
Uncollected Taxes From Current Year Levy	151,576	\$ 151,576	151,576
Uncollected Taxes From Prior Year Levies	232,435	232,435	-
<u>Other Adjustments</u>			
Unamortized Premium on Debt			
Beginning Balance	2,242,877	(2,242,877)	-
Current Year Amortization	146,214	146,214	146,214
Loss on Early Extinguishment of Debt			
Beginning Balance	1,620,440	1,620,440	-
Current Year Amortization	87,106	(87,106)	(87,106)
CAB Accretion			
Record Accretion at beginning of year	67,184	(67,184)	
Record Current Year Accretion	19,040	(19,040)	(19,040)
Accrued Interest from Prior Year	48,778	-	48,778
Accrued Interest from Current Year	45,790	(45,790)	(45,790)
Total Adjustment to Net Position		<u>\$ (311,332)</u>	<u>\$ 19,741</u>

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2017**

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board adopts an "appropriated budget" on a basis consistent for GAAP for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted original and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for each of these funds. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20<sup>th</sup>, the District prepares a budget for the next succeeding fiscal year beginning September 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is called for the purpose of adopting the proposed budget. At least ten days, but not more than 30 days public notice of the meeting is required.
3. Prior to September 1<sup>st</sup>, the Board legally enacts the budget through passage of a resolution. Once a budget is approved, it can only be amended at the function and fund level 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following were significant budget amendments:

	Amendment
Edison Roofing Project	\$ 85,798
High School Additions	4,977,743
Lee Band Hall	930,522
Walk in Cooler	90,000
Laptops	65,781
Food Service Truck	55,470
Weight Room Improvements	70,000
Professional Development	111,700

4. Each budget 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. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	Fund Balance
Appropriated Budget Funds	
National Breakfast and Lunch Program	\$ 368,908
Nonappropriated Budget Funds	
Accelerated Reading RD	5,984
State Textbook Fund	671,431
Campus Activity Funds	98,527
Mobil Food/Library Truck	20,000

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

	Excess
Child Nutrition Program	
Food Service	\$ 3,578

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**C. DEFICIT FUND EQUITY**

There are no deficit fund balances in the current year.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

**District Policies and Legal and Contractual Provisions Concerning Deposits**

- Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. As of August 31, 2017, the District's bank balances totaled \$9,164,143. This entire amount was either collateralized with securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus the District's deposits are not exposed to custodial credit risk.
  
- Foreign Currency Risk The District does not make investments that have foreign currency risk.

**Cash Deposits**

At August 31, 2017, the following are the District's cash and cash equivalents (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity in Less Than 1 Year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Cash	\$ 7,901,510	100%	\$ 7,901,510	\$ -	\$ -	n/a

**Investments**

**District Policies and Legal and Contractual Provisions Concerning Investments**

**Compliance with the Public Funds Investment Act**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the area of investment practices, management reports and establishment of appropriate policies. Amount 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, and (9) 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 and its agencies; (2) guaranteed or insured certificates of deposit issued by state and national banks domiciled in the State of Texas; (3) obligations of state, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and its fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or

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agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. 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.

In compliance with the Public Funds Investments Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in obligations of the U.S. Treasury or its agencies and instrumentalities; direct obligations of the state of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the state of Texas, the United States or their respective agencies and instrumentalities; including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States; obligations of states agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and bonds issued, assumed, or guaranteed by the state of Israel as per Texas Statute Government Code 2256.009. Additionally, the District authorized investments in; certificates of deposit; fully collateralized repurchase agreements; certain securities lending programs; certain bankers acceptances; certain commercial paper; certain no-load market mutual funds; certain no-load mutual funds; guaranteed investment contracts; and public funds investment pools. As of August 31, 2017, the District had no investments and therefore was not exposed to credit risk.
- Custodial Credit Risk for Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. As of August 31, 2017, the District had no investments. and therefore was not exposed to custodial credit risk.
- Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District shall diversify in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity or specific issuers. As of August 31, 2017, the District had no investments. and therefore was not exposed to concentration of custodial credit risk
- Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District shall use final and weighted-average maturity limits and diversification. The District shall monitor interest rate risk using weighted-average maturity and specific identification. At August 31, 2017, the District had no investments and therefore was not exposed to interest rate risk.
- Foreign Currency Risk - The District does not make investments that have foreign currency and therefore is not exposed to foreign currency risk.

The District has no investments measured at the Net Asset Value (NAV) per Share (or its equivalent).

**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 located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon 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 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

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**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at August 31, 2017 consisted of the following individual fund balances:

<u>Due To General Fund From:</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Funds:		
Head Start	6,332	Grant funds expended, not received at year-end
Title I Part A	22,137	Grant funds expended, not received at year-end
IDEA Part B Formula	64,277	Grant funds expended, not received at year-end
Career and Technical-Basic Grant	4,071	Grant funds expended, not received at year-end
Title II	8,631	Grant funds expended, not received at year-end
Rural & Low Income	25,733	Grant funds expended, not received at year-end
TWC Grant	40,194	Grant funds expended, not received at year-end
Agency Fund	6,811	Prepayment of payroll liabilities

The interfund transfers for the year ended August 31, 2017 are as follows:

<u>Transfers From General Fund To:</u>	<u>Amount</u>	<u>Reason</u>
Nonmajor Funds:		
Debt Service Fund	\$ 1,133,722	To supplement debt service

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2017 were as follows:

	<u>Governmental Funds</u>		<u>Total</u> <u>Receivables</u>
	<u>General</u> <u>Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
Property Taxes	\$ 362,200	\$ 64,478	\$ 426,678
Less Allowance for Uncollectible	(36,220)	(6,448)	(42,668)
Other Governments	2,832,342	1,064,918	3,897,260
Other	4,871	547	5,418
Other Funds	178,186	-	178,186
	<u>\$3,341,379</u>	<u>\$ 1,123,495</u>	<u>\$ 4,464,874</u>
Amounts Not Expected to be Collected During Subsequent Year (Included Above):			
Property Taxes	<u>\$ 342,200</u>	<u>\$ 53,278</u>	<u>\$ 395,478</u>



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Payables at August 31, 2017 were as follows:

	Governmental Funds		Fiduciary Fund	Total Payables
	General Fund	Nonmajor Funds	Agency Fund	
Interest Payable	\$ -	\$ 60,991	\$ -	\$ 60,991
Accounts Payable	603,592	56,238	-	659,830
Salaries and Benefits	1,032,669	146,067	-	1,178,736
Other Governments	-	35,537	-	35,537
Other Funds	-	171,375	6,811	178,186
Student Groups	-	-	63,605	63,605
	<u>\$ 1,636,261</u>	<u>\$ 470,208</u>	<u>\$ 70,416</u>	<u>\$ 2,176,885</u>

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2017, was as follows:

Governmental Activities	Balance 9/1/2016	Increases	Reclassifications/ Reductions	Balance 8/31/2017
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 2,021,077	\$ -	\$ -	\$ 2,021,077
Construction in Progress	-	-	-	-
<u>Capital Assets Being Depreciated:</u>				
Buildings & Improvements	73,718,501	5,932,229	-	79,650,730
Furniture & Equipment	5,218,332	262,977	(113,476)	5,367,833
	<u>78,936,833</u>	<u>6,195,206</u>	<u>(113,476)</u>	<u>85,018,563</u>
Less Accumulated Depreciation				
Buildings & Improvements	26,544,442	1,567,193	-	28,111,635
Furniture & Equipment	3,930,397	365,162	(113,476)	4,182,083
	<u>30,474,839</u>	<u>1,932,355</u>	<u>(113,476)</u>	<u>32,293,718</u>
Net Capital Assets				
Being Depreciated	48,461,994	4,262,851	-	52,724,845
Net Capital Assets	<u>\$ 50,483,071</u>	<u>\$ 4,262,851</u>	<u>\$ -</u>	<u>\$ 54,745,922</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,343,957
Instructional Resources and Media Services	14,779
School Leadership	15,001
Guidance, Counseling and Evaluation Services	10,478
Health Services	10,109
Student Transportation	172,594
Food Services	96,720
Cocurricular/Extracurricular Activities	189,170
General Administration	2,889
Security	70,090
Plant Maintenance	6,568
Total Depreciation Expense	<u>\$ 1,932,355</u>

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**G. BONDS AND LONG-TERM DEBT**

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Capital leases are also reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the General Fund.

A summary of changes in general long-term debt for the year ended August 31, 2017 is as follows:

	Balance 9/1/2016	Additions	Retirements	Balance 8/31/2017	Due Within One Year
Bonds Payable-					
Carrying Value	\$ 29,605,000	\$ -	\$ 1,125,000	\$ 28,480,000	\$ 1,150,000
Unamortized Premium	2,242,877	-	146,215	2,096,662	-
Total Bonds Payable	31,847,877	-	1,271,215	30,576,662	1,150,000
Notes Payable	1,716,979	-	99,000	1,617,979	99,000
Capital Leases Payable	390,080	-	123,397	266,683	86,293
Accreted Interest Payable	67,184	19,040	-	86,224	-
Net Pension Liability	5,593,998	533,912	475,273	5,652,637	n/a
Totals	<u>\$ 39,616,118</u>	<u>\$ 552,952</u>	<u>\$ 1,968,885</u>	<u>\$ 38,200,185</u>	<u>\$ 1,335,293</u>

The following is a summary of the District's bonds and notes outstanding as of August 31, 2017:

Issue	Interest Rates	Final Maturity	Original Issue Amount	Amounts Outstanding 9/1/2016	Issued	Retired/ Refunded	Amounts Outstanding 8/31/2017
<b>Bonds:</b>							
Series 2008, Refunding	1.69%	2021	2,610,000	1,545,000	-	(285,000)	1,260,000
Series 2013, Refunding	3%-3.5%	2036	7,135,000	6,965,000	-	(15,000)	6,950,000
Series 2014, Refunding	3%-4%	2033	9,050,000	8,970,000	-	(5,000)	8,965,000
Series 2014a, Refunding	3%	2027	3,795,000	3,585,000	-	(105,000)	3,480,000
Series 2015, Refunding	2.25%-3%	2028	8,695,000	8,540,000	-	(715,000)	7,825,000
Total Bonds Payable				<u>29,605,000</u>	<u>-</u>	<u>(1,125,000)</u>	<u>28,480,000</u>
<b>Notes Payable:</b>							
Maintenance Tax Notes 2007	4.50%	2022	1,770,000	527,000	-	-	527,000
Maintenance Tax Notes 2013	.42%-3.2%	2028	1,486,979	1,189,979	-	(99,000)	1,090,979
Total Notes Payable				<u>1,716,979</u>	<u>-</u>	<u>(99,000)</u>	<u>1,617,979</u>
<b>Capital Leases:</b>							
Municipal Services Group	3.78%	2017	256,446	39,604	-	(39,604)	-
Government Capital	2.98%	2021	439,950	350,476	-	(83,793)	266,683
Total Capital Leases				<u>390,080</u>	<u>-</u>	<u>(123,397)</u>	<u>266,683</u>
Total Debt				<u>\$ 31,712,059</u>	<u>\$ -</u>	<u>\$ (1,347,397)</u>	<u>\$ 30,364,662</u>

Accreted Interest Payable

A portion of the 2013 and 2014 refunding bonds consisted of capital appreciation bonds (CABS). These bonds are zero-coupon bonds with deep discounts. The difference between the initial price of the bonds plus the premium on the CABS and the maturity value represents interest. This interest is accreted over the term of the bonds and is recorded as a liability in the District's financial statements. The following schedule summarizes the changes in accreted interest payable during the year ended August 31, 2017.

	Balance 9/1/2016	Additions	Retired	Balance 8/31/2017
Accreted Interest Payable	\$ 67,184	\$ 19,040	\$ -	\$ 86,224

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust

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account assets and liabilities for the defeased bonds are not included in the District's financial statements. On August 31, 2017, the following bonds considered defeased are still outstanding:

	Amount Outstanding 8/31/2017
Series 1995	\$ 1,590,000
Series 1997	2,280,000
Series 1998	1,280,000
Series 2004	3,915,000
Series 2006	24,485,000

Debt service requirements for bonds and tax notes are as follows:

Year Ended August 31,	Principal	Interest	Total
2018	1,249,000	1,182,816	2,431,816
2019	1,481,000	1,017,135	2,498,135
2020	1,594,000	969,958	2,563,958
2021	1,639,000	924,703	2,563,703
2022	1,704,000	860,319	2,564,319
2023-2027	7,575,000	3,129,789	10,704,789
2028-2032	7,725,979	1,851,015	9,576,994
2033-2036	7,130,000	463,514	7,593,514
Total	<u>\$ 30,097,979</u>	<u>\$ 10,399,249</u>	<u>\$ 40,497,228</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture and the tax note indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2017.

Debt service requirements for capital leases are as follows:

Year Ended August 31,	Principal	Interest	Total
2018	86,293	7,959	94,252
2019	88,869	5,384	94,253
2020	91,521	2,731	94,252
Total	<u>\$ 266,683</u>	<u>\$ 16,074</u>	<u>\$ 282,757</u>

**H. 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, 2017 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

	General Fund	Nonmajor Funds	Totals
Local Governments	\$ -	\$ -	\$ -
State Entitlements	2,832,342	714,289	3,546,631
Federal Grants	-	350,629	350,629
Totals	<u>\$ 2,832,342</u>	<u>\$ 1,064,918</u>	<u>\$ 3,897,260</u>

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**I. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

During the current year, revenues from local and intermediate sources consisted of the following:

	Governmental Funds		Totals
	General Fund	Nonmajor Funds	
Property Taxes	\$ 11,485,377	\$ 1,087,976	\$ 12,573,353
Penalties and Interest			
On Property Taxes	31,461	6,845	38,306
Member Districts			
Contributions	-	-	-
Tuition & Fees	-	-	-
Investment Income	64,994	3,043	68,037
Rent	1,723	-	1,723
Food Sales	-	258,982	258,982
Co-curricular Student			
Activities	69,460	-	69,460
Insurance Recovery	58,317	-	58,317
Miscellaneous	289,329	234,234	523,563
	<u>\$ 12,000,661</u>	<u>\$ 1,591,080</u>	<u>\$ 13,591,741</u>

**J. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS**

A State minimum personal leave program consisting of five days per year of personal leave, with no limit on accumulation and no restrictions on transfer among districts, is provided for District employees. All employees who are eligible for State personal leave also earn an additional five workdays of local sick leave per year. Local sick leave is cumulative subject to continuous employment with the District. Full-term employees (employees with 12-month appointments) are not eligible for paid vacation leave.

The District has not recorded a liability for accumulated sick leave since the amount is not considered material.

**K. PENSION PLAN**

*Plan Description.* Gainesville Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

*Pension Plan Fiduciary Net Position.* Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](http://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2016.

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Total Pension Liability	\$ 171,797,150,487
Less: Plan Fiduciary Net Position	(134,008,637,473)
Net Pension Liability	\$ 37,788,513,014
Net Position as a Percentage of Total Pension Liability	78.00%

**Benefits Provided.** TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

**Contribution Rates**

	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2016 Employer Contribution		\$ 548,132
District's 2016 Member Contributions		1,316,061
District's 2015 NECE On-Behalf Contributions		787,117

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described

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below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

*Actuarial Assumptions.* The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age
	Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

*Discount Rate.* The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2017**

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	.07%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-2.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	.09%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	<u>5%</u>	<u>6.7%</u>	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Gainesville's ISD's proportionate share of net pension liability	<u>\$8,748,378</u>	<u>\$ 5,652,637</u>	<u>\$ 3,026,823</u>

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2017, Gainesville Independent School District reported a liability of \$5,652,637 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Gainesville Independent School District. The amount recognized by Gainesville Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Gainesville Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 5,652,637
State's proportionate share that is associated with the District	<u>9,342,952</u>
<b>Total</b>	<u><b>\$14,995,589</b></u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2017**

At August 31, 2016 the employer's proportion of the collective net pension liability was .0149586% which was a decrease of .0008666% from its proportion measured as of August 31, 2015,

**Changes Since the Prior Actuarial Valuation** - There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the measurement period August 31, 2016, Gainesville Independent School District recognized pension expense of \$969,576 and revenue of \$969,576 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2017, Gainesville Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experiences	\$ 88,632	\$168,784.00
Changes in actuarial assumptions	172,282	156,684.00
Differences between projected and actual investment earnings	478,654	-
Changes in proportion and differences between the employer's contribution and the proportionate share of contributions	997,852	51,102
Total as of August 31, 2016 measurement date	<u>\$ 1,737,420</u>	<u>\$ 376,570</u>
Contributions paid to TRS subsequent to the measurement date	548,132	-
Total as of fiscal year-end	<u><u>\$ 2,285,552</u></u>	<u><u>\$ 376,570</u></u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended August 31,</u>	Pension Expense Amount
2017	\$ 239,021
2018	239,021
2019	544,330
2020	215,566
2021	123,308
Thereafter	(397)

**L. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES**  
Retiree Health Care Coverage

*Plan Description.* The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire 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 Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to



**GAINESVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2017**

the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading,

**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. The contribution rate for the district was .55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. 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. For staff members funded by federal programs, the federal programs are required to contribute 1.0%.

**Contributions.** Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
District Contributions	\$ 111,087	\$ 100,045	\$ 96,996
Federal Contributions	16,258	16,134	15,333
State Contributions	201,976	181,900	176,356
Employee Contributions	131,285	118,235	114,632

**Medicare Part D.** 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 year ended August 31, 2017, 2016 and 2015 the subsidy payments received by TRS-Care on behalf of the District were \$55,201, \$64,179 and \$65,821 respectively. The information for the year ended August 31, 2017 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

**Active Employee Health Care Coverage.** The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

**M. UNAVAILABLE/UNEARNED REVENUE**

Unavailable revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 325,980	\$ 58,030	\$ 384,010

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2017

**N. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The District had the following construction commitments at August 31, 2017:

	Total Committed	Expended as of 8/31/2017	Balance
Ratliff-GHS Additions	\$ 4,926,016	4,464,653	\$ 461,363
WR Construction-Lee Band Hall	964,109	915,523	48,586

**O. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS**

None

**P. RELATED ORGANIZATIONS**

The District has no related organizations as defined by *Governmental Accounting Standards Board Statement Number 14*.

**Q. SUBSEQUENT EVENTS**

The District's management has evaluated subsequent events through December 22, 2017, the date which the financial statements were available for issue.

**REQUIRED SUPPLEMENTARY INFORMATION**

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance With
		Original	Final	(GAAP BASIS)	Final Budget
					Positive or (Negative)
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 11,386,420	\$ 11,400,130	\$ 12,000,661	\$ 600,531
5800	State Program Revenues	12,998,556	12,998,556	14,038,851	1,040,295
5900	Federal Program Revenues	95,000	385,000	500,780	115,780
5020	Total Revenues	24,479,976	24,783,686	26,540,292	1,756,606
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	12,913,811	12,873,358	12,794,592	78,766
0012	Instructional Resources and Media Services	529,046	527,614	487,537	40,077
0013	Curriculum and Instructional Staff Development	271,328	540,804	418,654	122,150
0021	Instructional Leadership	406,858	417,892	403,953	13,939
0023	School Leadership	1,577,000	1,605,122	1,585,490	19,632
0031	Guidance, Counseling and Evaluation Services	690,647	673,248	637,562	35,686
0032	Social Work Services	164,185	215,866	191,175	24,691
0033	Health Services	308,178	328,853	306,977	21,876
0034	Student (Pupil) Transportation	732,757	792,410	781,653	10,757
0036	Extracurricular Activities	1,084,379	1,315,285	1,263,961	51,324
0041	General Administration	979,859	1,093,963	1,071,596	22,367
0051	Facilities Maintenance and Operations	2,841,256	2,946,079	2,798,539	147,540
0052	Security and Monitoring Services	32,500	50,000	23,347	26,653
0053	Data Processing Services	97,530	102,530	85,537	16,993
Debt Service:					
0071	Principal on Long Term Debt	232,860	233,351	222,397	10,954
0072	Interest on Long Term Debt	62,649	72,158	62,737	9,421
Capital Outlay:					
0081	Facilities Acquisition and Construction	176,562	6,641,945	5,955,702	686,243
Intergovernmental:					
0099	Other Intergovernmental Charges	198,000	218,000	205,652	12,348
6030	Total Expenditures	23,299,405	30,648,478	29,297,061	1,351,417
1100	Excess (Deficiency) of Revenues Over Expenditures	1,180,571	(5,864,792)	(2,756,769)	3,108,023
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	(1,180,571)	(1,180,571)	(1,133,722)	46,849
1200	Net Change in Fund Balances	-	(7,045,363)	(3,890,491)	3,154,872
0100	Fund Balance - September 1 (Beginning)	11,919,201	11,919,201	11,919,201	-
3000	Fund Balance - August 31 (Ending)	\$ 11,919,201	\$ 4,873,838	\$ 8,028,710	\$ 3,154,872

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-2

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.0149586%	0.0158252%	0.0105639%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,652,637	\$ 5,593,998	\$ 2,821,763
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	9,342,952	8,887,949	7,691,057
Total	\$ 14,995,589	\$ 14,481,947	\$ 10,512,820
District's Covered-Employee Payroll	\$ 15,390,975	\$ 14,922,328	\$ 14,520,179
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	36.73%	37.49%	19.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2017

EXHIBIT G-3

	2017	2016	2015
Contractually Required Contribution	\$ 548,132	\$ 475,273	\$ 468,591
Contribution in Relation to the Contractually Required Contribution	548,132	475,273	468,591
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 17,091,699	\$ 15,390,975	\$ 14,922,328
Contributions as a Percentage of Covered-Employee Payroll	3.21%	3.09%	3.14%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**COMBINING STATEMENTS**

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2017

Data	205	211	224	225
Control		ESEA I, A	IDEA - Part B	IDEA - Part B
Codes		Improving	Formula	Preschool
	Head Start	Basic Program		
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 766
1220	Property Taxes - Delinquent	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-
1240	Receivables from Other Governments	45,938	81,973	390
1290	Other Receivables	-	-	-
1000	Total Assets	<u>\$ 45,938</u>	<u>\$ 81,973</u>	<u>\$ 1,156</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ -	\$ -	\$ -
2140	Interest Payable - Current	-	-	-
2160	Accrued Wages Payable	35,977	54,762	1,051
2170	Due to Other Funds	6,332	22,137	-
2180	Due to Other Governments	-	-	-
2200	Accrued Expenditures	3,629	5,074	105
2000	Total Liabilities	<u>45,938</u>	<u>81,973</u>	<u>1,156</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601	Unavailable Revenue - Property Taxes	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3445	Other Non-Spendable Fund Balance	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3480	Retirement of Long-Term Debt	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 45,938</u>	<u>\$ 81,973</u>	<u>\$ 1,156</u>



EXHIBIT H-1 (Cont'd)

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	289 Summer School LEP	410 State Textbook Fund
\$ 349,424	\$ -	\$ -	\$ -	\$ 839	\$ -	\$ -	\$ 1,572
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
86,721	-	4,071	8,631	4,867	25,733	-	670,596
-	-	-	-	-	-	-	-
<u>\$ 436,145</u>	<u>\$ -</u>	<u>\$ 4,071</u>	<u>\$ 8,631</u>	<u>\$ 5,706</u>	<u>\$ 25,733</u>	<u>\$ -</u>	<u>\$ 672,168</u>
\$ 55,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 737
-	-	-	-	-	-	-	-
11,509	-	-	-	5,180	-	-	-
-	-	4,071	8,631	-	25,733	-	-
-	-	-	-	-	-	-	-
227	-	-	-	526	-	-	-
<u>67,237</u>	<u>-</u>	<u>4,071</u>	<u>8,631</u>	<u>5,706</u>	<u>25,733</u>	<u>-</u>	<u>737</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
368,908	-	-	-	-	-	-	671,431
-	-	-	-	-	-	-	-
<u>368,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>671,431</u>
<u>\$ 436,145</u>	<u>\$ -</u>	<u>\$ 4,071</u>	<u>\$ 8,631</u>	<u>\$ 5,706</u>	<u>\$ 25,733</u>	<u>\$ -</u>	<u>\$ 672,168</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2017

	429 Accelerated Reading Rd	461 Campus Activity Funds	480 AT&T Avid Grant	485 Mobil Food Library Truck
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,484	\$ 98,527	\$ -	\$ 20,000
Property Taxes - Delinquent	-	-	-	-
Allowance for Uncollectible Taxes (Credit)	-	-	-	-
Receivables from Other Governments	3,500	-	-	-
Other Receivables	-	-	-	-
<b>Total Assets</b>	<u>\$ 5,984</u>	<u>\$ 98,527</u>	<u>\$ -</u>	<u>\$ 20,000</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Interest Payable - Current	-	-	-	-
Accrued Wages Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Accrued Expenditures	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
Other Non-Spendable Fund Balance	-	59,264	-	-
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-
Unassigned Fund Balance	5,984	39,263	-	20,000
<b>Total Fund Balances</b>	<u>5,984</u>	<u>98,527</u>	<u>-</u>	<u>20,000</u>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<u>\$ 5,984</u>	<u>\$ 98,527</u>	<u>\$ -</u>	<u>\$ 20,000</u>

490	498	Total	599	Total
TWC	GISD	Nonmajor	Debt Service	Total
Grant	Education Fdn	Special	Fund	Nonmajor
	Teacher Grant	Revenue Funds		Governmental
				Funds
\$ -	\$ -	\$ 473,612	\$ 753,042	\$ 1,226,654
-	-	-	64,478	64,478
-	-	-	(6,448)	(6,448)
40,194	-	1,064,918	-	1,064,918
-	-	-	547	547
<u>\$ 40,194</u>	<u>\$ -</u>	<u>\$ 1,538,530</u>	<u>\$ 811,619</u>	<u>\$ 2,350,149</u>
\$ -	\$ -	\$ 56,238	\$ -	\$ 56,238
-	-	-	60,991	60,991
-	-	133,949	-	133,949
40,194	-	171,375	-	171,375
-	-	-	35,537	35,537
-	-	12,118	-	12,118
<u>40,194</u>	<u>-</u>	<u>373,680</u>	<u>96,528</u>	<u>470,208</u>
-	-	-	58,030	58,030
-	-	-	58,030	58,030
-	-	59,264	-	59,264
-	-	494,280	-	494,280
-	-	-	657,061	657,061
-	-	611,306	-	611,306
<u>-</u>	<u>-</u>	<u>1,164,850</u>	<u>657,061</u>	<u>1,821,911</u>
<u>\$ 40,194</u>	<u>\$ -</u>	<u>\$ 1,538,530</u>	<u>\$ 811,619</u>	<u>\$ 2,350,149</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>REVENUES:</b>				
570 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
580 State Program Revenues	-	-	-	-
590 Federal Program Revenues	381,122	781,640	543,496	12,227
5020 Total Revenues	381,122	781,640	543,496	12,227
<b>EXPENDITURES:</b>				
Current:				
001 Instruction	279,205	469,822	523,685	12,227
001 Instructional Resources and Media Services	-	-	-	-
001 Curriculum and Instructional Staff Development	-	302,431	4,594	-
002 Instructional Leadership	-	9,387	-	-
002 School Leadership	64,034	-	-	-
003 Guidance, Counseling and Evaluation Services	-	-	15,217	-
003 Health Services	37,883	-	-	-
003 Food Services	-	-	-	-
003 Extracurricular Activities	-	-	-	-
004 General Administration	-	-	-	-
Debt Service:				
007 Principal on Long Term Debt	-	-	-	-
007 Interest on Long Term Debt	-	-	-	-
007 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	381,122	781,640	543,496	12,227
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
791 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	289 Summer School LEP	410 State Textbook Fund
\$ 260,732	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,393	-	-	-	-	-	-	-
2,050,771	18,722	44,599	146,139	61,301	59,439	4,660	553,342
2,322,896	18,722	44,599	146,139	61,301	59,439	4,660	553,342
-	-	20,012	137,594	61,301	57,449	4,660	33,762
-	-	-	8,545	-	1,990	-	-
-	-	-	-	-	-	-	-
-	-	24,587	-	-	-	-	-
2,485,868	18,722	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,485,868	18,722	44,599	146,139	61,301	59,439	4,660	33,762
(162,972)	-	-	-	-	-	-	519,580
-	-	-	-	-	-	-	-
(162,972)	-	-	-	-	-	-	519,580
531,880	-	-	-	-	-	-	151,851
\$ 368,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 671,431

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2017

Data	429	461	480	485
Control	Accelerated	Campus	AT&T	Mobil Food
Codes	Reading Rd	Activity Funds	Avid Grant	Library Truck
<b>REVENUES:</b>				
570 Total Local and Intermediate Sources	\$ -	\$ 157,009	\$ 5,000	\$ 20,000
580 State Program Revenues	17,942	-	-	-
590 Federal Program Revenues	-	-	-	-
5020 Total Revenues	17,942	157,009	5,000	20,000
<b>EXPENDITURES:</b>				
Current:				
001 Instruction	13,008	43,918	5,000	-
001 Instructional Resources and Media Services	-	22,106	-	-
001 Curriculum and Instructional Staff Development	-	-	-	-
002 Instructional Leadership	-	-	-	-
002 School Leadership	-	24,395	-	-
003 Guidance, Counseling and Evaluation Services	-	-	-	-
003 Health Services	-	-	-	-
003 Food Services	-	-	-	-
003 Extracurricular Activities	-	37,478	-	-
004 General Administration	-	7,047	-	-
Debt Service:				
007 Principal on Long Term Debt	-	-	-	-
007 Interest on Long Term Debt	-	-	-	-
007 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	13,008	134,944	5,000	-
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	4,934	22,065	-	20,000
<b>OTHER FINANCING SOURCES (USES):</b>				
791 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	4,934	22,065	-	20,000
0100 Fund Balance - September 1 (Beginning)	1,050	76,462	-	-
3000 Fund Balance - August 31 (Ending)	\$ 5,984	\$ 98,527	-	\$ 20,000

490	498	Total	599	Total
TWC	GISD	Nonmajor	Debt Service	Nonmajor
Grant	Education Fdn	Special	Fund	Governmental
	Teacher Grant	Revenue Funds		Funds
\$ 40,194	\$ 12,031	\$ 494,966	\$ 1,096,114	\$ 1,591,080
-	-	582,677	35,858	618,535
-	-	4,104,116	-	4,104,116
40,194	12,031	5,181,759	1,131,972	6,313,731
40,194	12,031	1,713,868	-	1,713,868
-	-	22,106	-	22,106
-	-	317,560	-	317,560
-	-	9,387	-	9,387
-	-	88,429	-	88,429
-	-	39,804	-	39,804
-	-	37,883	-	37,883
-	-	2,504,590	-	2,504,590
-	-	37,478	-	37,478
-	-	7,047	-	7,047
-	-	-	1,125,000	1,125,000
-	-	-	1,158,065	1,158,065
-	-	-	2,000	2,000
40,194	12,031	4,778,152	2,285,065	7,063,217
-	-	403,607	(1,153,093)	(749,486)
-	-	-	1,133,722	1,133,722
-	-	403,607	(19,371)	384,236
-	-	761,243	676,432	1,437,675
\$ -	\$ -	\$ 1,164,850	\$ 657,061	\$ 1,821,911

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**REQUIRED TEA SCHEDULES**

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ 9,325,314,880
2009	1.040000	0.23532	877,062,375
2010	1.040000	0.23532	930,054,794
2011	1.040000	0.23532	881,992,781
2012	1.040000	0.29432	877,347,353
2013	1.040000	0.26878	935,160,563
2014	1.040000	0.25000	987,309,121
2015	1.040000	0.24000	1,004,544,625
2016	1.040000	0.24000	985,624,273
2017 (School year under audit)	1.170000	0.11000	991,599,501
100 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 47,383	\$ -	\$ 28	\$ 6	\$ (14,805)	\$ 32,544
17,854	-	514	116	(226)	16,998
21,396	-	1,005	227	(6)	20,158
18,953	-	2,126	481	(835)	15,511
40,596	-	2,443	691	(14)	37,448
35,936	-	5,661	1,458	(676)	28,141
42,191	-	9,891	2,378	(697)	29,225
58,238	-	(30,931)	(7,138)	(62,535)	33,772
170,036	-	31,745	7,326	(69,660)	61,305
-	12,692,474	11,393,914	1,071,132	(75,852)	151,576
<u>\$ 452,583</u>	<u>\$ 12,692,474</u>	<u>\$ 11,416,396</u>	<u>\$ 1,076,677</u>	<u>\$ (225,306)</u>	<u>\$ 426,678</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT J-2

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 295,450	\$ 300,083	\$ 260,732	\$ (39,351)
5800 State Program Revenues	37,756	37,756	11,393	(26,363)
5900 Federal Program Revenues	1,960,578	1,960,578	2,050,771	90,193
5020 Total Revenues	2,293,784	2,298,417	2,322,896	24,479
EXPENDITURES:				
0035 Food Services	2,293,784	2,482,290	2,485,868	(3,578)
6030 Total Expenditures	2,293,784	2,482,290	2,485,868	(3,578)
1200 Net Change in Fund Balances	-	(183,873)	(162,972)	20,901
0100 Fund Balance - September 1 (Beginning)	531,879	531,880	531,880	-
3000 Fund Balance - August 31 (Ending)	\$ 531,879	\$ 348,006	\$ 368,908	\$ 20,902

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT J-3

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 1,074,494	\$ 1,074,494	\$ 1,096,114	\$ 21,620
5800	State Program Revenues	30,000	30,000	35,858	5,858
5020	Total Revenues	1,104,494	1,104,494	1,131,972	27,478
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	1,125,000	1,125,000	1,125,000	-
0072	Interest on Long Term Debt	1,158,065	1,158,065	1,158,065	-
0073	Bond Issuance Cost and Fees	2,000	2,000	2,000	-
6030	Total Expenditures	2,285,065	2,285,065	2,285,065	-
1100	Excess (Deficiency) of Revenues Over Expenditures	(1,180,571)	(1,180,571)	(1,153,093)	27,478
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	1,180,571	1,180,571	1,133,722	(46,849)
1200	Net Change in Fund Balances	-	-	(19,371)	(19,371)
0100	Fund Balance - September 1 (Beginning)	676,432	676,432	676,432	-
3000	Fund Balance - August 31 (Ending)	\$ 676,432	\$ 676,432	\$ 657,061	\$ (19,371)

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**FEDERAL AWARDS SECTION**

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**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***

To the Board of Trustees  
Gainesville Independent School District  
Gainesville, TX 76240

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, each major fund, and the aggregate remaining fund information of Gainesville Independent School District as of and for the year ended August 31, 2017 and the related notes to the financial statements, which collectively comprise Gainesville Independent School District's basic financial statements, and have issued our report thereon dated December 22, 2017.

**Internal Control over Financial Reporting**

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

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

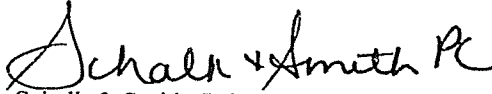
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free 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.

  
Schalk & Smith, P.C.  
December 22, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees  
Gainesville Independent School District

**Report on Compliance for Each Major Federal Program**

We have audited Gainesville Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gainesville Independent School District's major federal programs for the year ended August 31, 2017. Gainesville 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 federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S., *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

**Report on Internal Control over Compliance**

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

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

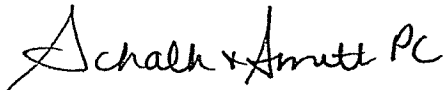
will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Gainesville Independent School District as of and for the year ended August 31, 2017, and have issued our report thereon dated December 22, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Schalk & Smith, P.C.  
December 22, 2017

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**Section I-Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

- Material weakness identified No
- Significant deficiency identified that are not considered to be material weaknesses No
- Noncompliance material to financial statements noted No

**Federal Awards**

Internal control over major programs:

- Material weakness identified No
- Significant deficiency identified that are not considered to be material weaknesses None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CRF 200.516(a)? No

Major Federal Programs:

- Special Education Cluster CFDA #84.027 & 84.173
- Title I, Part A CFDA #84.010A

Dollar threshold used to distinguish between type A and type B programs: \$750,000  
Auditee qualified as low-risk auditee? Yes

**Section II – Financial Statement Findings-NONE**

**Section III – Federal Award findings and Questioned Costs-NONE**

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2017

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N/A

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2017

(Prepared by the District's Administration)

N/A

GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT K-1

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101049901	\$ 781,640
*IDEA - Part B, Formula	84.027	176600010499016600	543,496
*IDEA - Part B, Preschool	84.173	176610010499016610	12,227
Total Special Education Cluster (IDEA)			555,723
Career and Technical - Basic Grant	84.048	17420006049901	40,528
Career and Technical - Basic Grant	84.048	18420006049901	4,071
Total CFDA Number 84.048			44,599
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	17696001049901	59,439
Title III, Part A - English Language Acquisition	84.365A	17671001049901	61,301
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501049901	146,139
	84.369A	S369A150045	4,660
Total Passed Through State Department of Education			1,653,501
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			1,653,501
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	07CH7009/10	18,791
Head Start	93.600	08CH7009/10	362,330
Total CFDA Number 93.600			381,121
Total Passed Through State Department of Education			381,121
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			381,121
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	201717N109946	566,196
*National School Lunch Program - Cash Assistance	10.555	201717N109946	1,342,636
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	141,940
Total CFDA Number 10.555			1,484,576
*Summer Feeding Program - Cash Assistance	10.559	N/A	18,722
Total Child Nutrition Cluster			2,069,494
Total Passed Through the State Department of Agriculture			2,069,494
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			2,069,494
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 4,104,116

\*Clustered Programs



GAINESVILLE INDEPENDENT SCHOOL DISTRICT  
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
 YEAR ENDED AUGUST 31, 2017

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All federal grant funds were accounted for in a Special Revenue Funds, a component of the Governmental Fund types. Medicaid reimbursements (School Health and Related Services (SHARS) program for special education students) are recorded in the General Fund as federal revenue but do not meet the definition of federal awards for purposes of preparing the schedule of federal awards.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these fund present increases and decreases in net current assets. the modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available le, and expenditures in the accounting period in which they fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as unearned revenue until earned.

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Compliance Supplement, Part 3. Section H, Period of Availability of Federal Funds.
- Reconciliation of Federal Revenues in Exhibit C-3 to the Schedule of Expenditures of Federal Awards:

Federal Awards per Schedule of Expenditures of Federal Awards	\$ 4,104,116
Medicaid Reimbursements (SHARS)	500,780
Total Federal Program Revenues-Exhibit C-3	<u>\$ 4,604,896</u>

SCHOOLS FIRST QUESTIONNAIRE

Gainesville Independent School District

Fiscal Year 2017

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	86224
SF11	Net Pension Assets (1920) at fiscal year-end.	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	5652637
SF13	Pension Expense (6147) at fiscal year-end.	