



SCHALK & SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

Thomas E. Schalk, CPA
Judy Smith, CPA
Cynthia Muñoz, CPA

December 31, 2010

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gainesville Independent School District (the District) for the year ended August 31, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 15, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note I. to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities, the general fund and the debt service fund's financial statements was:

Management's estimate of the allowance for doubtful accounts is based on historical property tax collections. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

There were no sensitive disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 31, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We identified certain deficiencies in internal control that, while not considered to be significant deficiencies, we feel should be addressed.

- The District's cash deposits were under collateralized for a total of 16 days during the year.

This information is intended solely for the use of the Board of Trustees of Gainesville Independent School District and management of the District. It is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Schalk & Smith, PC
Certified Public Accountants

**GAINESVILLE INDEPENDENT
SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2010**

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2010**

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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, 2010 at a meeting of the Board of Trustees of such school district on the ___th day of January, 2011.


Signature of Board Secretary 
Signature of Board President

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



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Gainesville Independent School District
800 South Morris Street
Gainesville, TX 76240

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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gainesville Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gainesville Independent School District, as of August 31, 2010, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2010, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 53 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gainesville Independent School District's financial statements as a whole. The combining nonmajor fund

financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-5. Except for Exhibit J-3 (Cash Flow and the Optimum Fund Balance Calculation Schedule) which is marked **UNAUDITED** and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Schalk & Smith, P.C.
December 31, 2010

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, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2010. Please read it in conjunction with the independent auditors' report on page 2 & 3 and the District's Basic Financial Statements that begin on page 10.

FINANCIAL HIGHLIGHTS

- The District's total combined assets were \$59,868,399 at August 31, 2010.
- During the year, the District's expenses were \$512,100 less than the \$28 million generated in taxes and other revenues for governmental activities.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,875,284.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,902,019 or 17.4 percent of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Gainesville Independent School District's basic financial statements. The Gainesville Independent School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Gainesville Independent School District finances, in a manner similar to a private-sector business. The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities.

The *statement of net assets* presents information on all of the Gainesville Independent School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Gainesville Independent School District is improving or deteriorating. All of the District's assets are reported whether they serve the current year or future years.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 for outside the district and grants provided by the U. S. Department of Education for various programs (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). Liabilities are considered regardless of whether they must be paid in the current or future years.

Both of the governmental-wide financial statements distinguish functions of the Gainesville Independent School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Gainesville Independent School District include instruction, instructional resources and media services, guidance, counseling and evaluation services, health services, student transportation, food services, cocurricular/extracurricular activities, general administration, plant maintenance and operations, data processing services, debt services, and facilities acquisition and construction. The District has no business-type activities.

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 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's two kinds of funds-governmental and proprietary-use different accounting approaches.

- **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 difference between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- **Proprietary funds**-The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. As mentioned above in the governmental-wide definition, the District has no business-type activities or enterprise funds.

The District's fiduciary responsibilities. The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Assets on page 17. 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.

Notes to the financial statements. The notes to financial statements (starting on page 18) 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.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20,875,284 that represented an increase of \$512,100 over the prior year net assets of \$20,363,184. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$4,871,688 at August 31, 2010.

Table I
Gainesville Independent School District

NET ASSETS

	Governmental Activities 2010	Governmental Activities 2009
Current and other assets	\$ 6,648,354	\$ 11,706,791
Capital assets	53,220,045	51,367,750
Total assets	59,868,399	63,074,541
Long-term liabilities	37,376,224	39,285,810
Other liabilities	1,616,891	3,425,547
Total liabilities	38,993,115	42,711,357
Net assets:		
Invested in capital assets net of related debt	15,843,820	13,389,773
Restricted	159,776	1,809,875
Unrestricted	4,871,688	5,163,536
Total net assets	\$ 20,875,284	\$ 20,363,184

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 \$15,843,820. 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 \$159,776 of the District's total net assets (approximately 0.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$4,871,688) 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.

Table II
Gainesville Independent School District

CHANGES IN NET ASSETS

	Governmental Activities 2010	Governmental Activities 2009
Revenues:		
Program revenues:		
Charges for services	\$ 430,825	\$ 485,208
Operating grants and contributions	6,806,985	5,693,163
General revenues		
Maintenance and operations taxes	9,734,273	9,180,610
Debt service taxes	2,204,636	2,077,076
State aid - formula grants	-	-
Grants and contributions not restricted to specific functions	8,502,638	9,501,746
Investment earnings	48,595	131,844
Construction Lawsuit Settlement	968,000	-
Loss on Disposal of Fixed Assets	(134,613)	-
Miscellaneous	77,503	650
Total revenue	<u>28,638,842</u>	<u>27,070,297</u>
Expenses:		
Instruction, curriculum and media services	15,727,407	15,503,971
Instructional and school leadership	2,009,500	1,854,982
Student support services	1,736,302	1,721,326
Child nutrition	1,953,196	1,809,965
Co-curricular activities	854,743	906,468
General administration	922,641	914,916
Plant maintenance, security & data processing	2,938,310	2,575,231
Community services	-	-
Debt services	1,777,574	1,869,048
Facilities Acquisition and Construction	27,148	191,396
Other Intergovernmental Charges	179,921	179,811
Total expenses	<u>28,126,742</u>	<u>27,527,114</u>
Increase (Decrease) in net assets	512,100	(456,817)
Prior period adjustment	-	71,060
Net assets at 9/1	20,363,184	20,748,941
Net assets at 8/31	<u>\$ 20,875,284</u>	<u>\$ 20,363,184</u>

Governmental Activities. The District's total net assets increased by \$512,100. The total cost of all programs and services was \$28,126,742. The amount that our taxpayers paid for these activities through property taxes was \$11,426,809 or 40.9%. The majority of the remainder was financed through charges for services (\$430,825), other governmental grants (\$6,806,985), or by State equalization funding (\$8,502,638) and other income items (\$959,485).

The District continued its actions this year to compensate for some increases in cost and avoid loss of state revenue due to changes in the funding of certain other programs.

The District retained the same total property tax rate at \$1.27532. With the same tax rate and increases in the total assessed valuation, total tax revenues increased \$681,223.

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 \$4,049,425. Included in this year's total change in fund balance is a decrease of \$1,656,681 in the District's General Fund and a decrease in the Capital Projects Fund of \$1,436,389.

Over the course of the year, the Board of Trustees revised the District's budget several times. Those budget amendments fell into the following categories. The first category includes amendments and supplemental appropriations that were approved during the fiscal year to reflect adjustments in accruals and the moving of funds from programs that did not need all the resources originally appropriated to them to programs with additional needs.

The District's General Fund balance of \$3,902,019 reported on page 12 differs from the General Fund's budgetary fund balance of \$3,423,932 reported in the budgetary comparison schedule on page 16. This is principally due to a reduction in the actual amount of the instructional expenditures due to stringent cost controls.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets.

At the end of 2010, the District had \$53,220,045 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. More detailed information about the District's capital assets is presented in Note IV-F to the financial statements.

Debt.

At year-end, the District had a balance of \$336,561 in notes payable and a balance of \$35,747,000 in bonds for a total of \$36,083,561 versus notes payable of \$195,981 and bonds payable of \$37,340,000 for a balance of \$37,535,981 last year for a decrease in total debt of \$1,452,420. 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 2010-11 budget and tax rates. The District adopted the Maintenance & Operation (M&O) tax rate of \$1.04 and an Interest & Sinking (I&S) tax rate of \$.23532 for a total District tax rate of \$1.27532 for 2010-11. This is the same tax rate that was in effect during the 2009-10 fiscal year. Despite the declining enrollment, the administration was able to maintain a balanced budget through increased property valuations and budget cuts. The district does not expect to increase the fund balance during the 2010-2011 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to 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 South Morris Street, Gainesville, Texas 76240.

BASIC FINANCIAL STATEMENTS

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2010

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 4,759,995
1220 Property Taxes Receivable (Delinquent)	728,808
1230 Allowance for Uncollectible Taxes	(72,881)
1240 Due from Other Governments	630,132
1290 Other Receivables, net	78,726
1300 Inventories	106,244
1410 Deferred Expenses	16,288
1420 Capitalized Bond and Other Debt Issuance Costs	401,042
Capital Assets:	
1510 Land	2,021,069
1520 Buildings, Net	50,182,696
1530 Furniture and Equipment, Net	1,016,280
1000 Total Assets	59,868,399
LIABILITIES	
2110 Accounts Payable	301,192
2140 Interest Payable	135,923
2160 Accrued Wages Payable	666,708
2180 Due to Other Governments	493,431
2200 Accrued Expenses	19,637
Noncurrent Liabilities	
2501 Due Within One Year	718,812
2502 Due in More Than One Year	36,657,412
2000 Total Liabilities	38,993,115
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	15,843,820
3820 Restricted for Federal and State Programs	97,765
3850 Restricted for Debt Service	62,011
3900 Unrestricted Net Assets	4,871,688
3000 Total Net Assets	\$ 20,875,284

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, 2010

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 14,842,574	\$ 12,056	\$ 3,823,894	\$ (11,006,624)
12 Instructional Resources and Media Services	526,648	-	31,030	(495,618)
13 Curriculum and Staff Development	358,185	-	202,258	(155,927)
21 Instructional Leadership	373,957	-	737,881	363,924
23 School Leadership	1,635,543	-	85,529	(1,550,014)
31 Guidance, Counseling and Evaluation Services	657,242	-	167,329	(489,913)
32 Social Work Services	145,517	-	10,326	(135,191)
33 Health Services	248,611	-	14,659	(233,952)
34 Student (Pupil) Transportation	684,932	-	24,839	(660,093)
35 Food Services	1,953,196	325,622	1,586,222	(41,352)
36 Extracurricular Activities	854,743	93,147	19,230	(742,366)
41 General Administration	922,641	-	32,836	(889,805)
51 Plant Maintenance and Operations	2,835,748	-	68,745	(2,767,003)
52 Security and Monitoring Services	9,913	-	180	(9,733)
53 Data Processing Services	92,649	-	2,027	(90,622)
72 Debt Service - Interest on Long Term Debt	1,735,344	-	-	(1,735,344)
73 Debt Service - Bond Issuance Cost and Fees	42,230	-	-	(42,230)
81 Capital Outlay	27,148	-	-	(27,148)
99 Other Intergovernmental Charges	179,921	-	-	(179,921)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 28,126,742	\$ 430,825	\$ 6,806,985	(20,888,932)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	9,734,273
DT	Property Taxes, Levied for Debt Service	2,204,636
GC	Grants and Contributions not Restricted	8,502,638
IE	Investment Earnings	48,595
MI	Miscellaneous Local and Intermediate Revenue	77,503
EI	Lawsuit & Insurance Recoverly	968,000
FR	Loss on Disposal of Fixed Assets	(134,613)
TR	Total General Revenues, Extraordinary Items and Transfers	21,401,032
CN	Change in Net Assets	512,100
NB	Net Assets--Beginning	20,363,184
NE	Net Assets--Ending	\$ 20,875,284

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2010

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110	\$ 4,313,813	\$ 446,182	\$ 4,759,995
1220	618,520	110,288	728,808
1230	(61,852)	(11,029)	(72,881)
1240	307,531	322,601	630,132
1260	175,963	-	175,963
1290	75,345	3,381	78,726
1300	106,244	-	106,244
1410	16,288	-	16,288
1000	<u>\$ 5,551,852</u>	<u>\$ 871,423</u>	<u>\$ 6,423,275</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110	\$ 266,602	\$ 34,590	\$ 301,192
2140	-	60,992	60,992
2160	523,492	143,216	666,708
2170	-	175,963	175,963
2180	293,108	200,323	493,431
2200	9,963	9,674	19,637
2300	556,668	99,259	655,927
2000	<u>1,649,833</u>	<u>724,017</u>	<u>2,373,850</u>
Fund Balances:			
Reserved For:			
3420	-	49,641	49,641
Unreserved and Undesignated:			
3600	3,902,019	-	3,902,019
3610	-	97,765	97,765
3000	<u>3,902,019</u>	<u>147,406</u>	<u>4,049,425</u>
4000	<u>\$ 5,551,852</u>	<u>\$ 871,423</u>	<u>\$ 6,423,275</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 ASSETS
 AUGUST 31, 2010

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	4,049,425
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 \$72,386,281 and the accumulated depreciation was \$21,018,531. 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 (decrease) net assets.		13,831,769
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 2010 capital outlays and debt principal payments is to increase (decrease) net assets.		5,703,551
3 The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,653,667)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, 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 increase (decrease) net assets.		(1,055,794)
19 Net Assets of Governmental Activities	\$	20,875,284

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, 2010

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 9,942,675	\$ 2,563,842	\$ 12,506,517
5800 State Program Revenues	9,381,654	452,373	9,834,027
5900 Federal Program Revenues	190,656	5,266,412	5,457,068
5020 Total Revenues	<u>19,514,985</u>	<u>8,282,627</u>	<u>27,797,612</u>
EXPENDITURES:			
Current:			
0011 Instruction	9,768,767	3,777,754	13,546,521
0012 Instructional Resources and Media Services	511,869	-	511,869
0013 Curriculum and Instructional Staff Development	156,659	201,526	358,185
0021 Instructional Leadership	344,122	29,835	373,957
0023 School Leadership	1,596,668	24,197	1,620,865
0031 Guidance, Counseling and Evaluation Services	505,015	142,072	647,087
0032 Social Work Services	139,910	-	139,910
0033 Health Services	238,825	-	238,825
0034 Student (Pupil) Transportation	887,920	(502)	887,418
0035 Food Services	-	1,870,984	1,870,984
0036 Extracurricular Activities	846,818	-	846,818
0041 General Administration	906,035	311	906,346
0051 Facilities Maintenance and Operations	2,896,725	-	2,896,725
0052 Security and Monitoring Services	9,913	-	9,913
0053 Data Processing Services	92,649	-	92,649
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	1,278,867	760,000	2,038,867
0072 Debt Service - Interest on Long Term Debt	92,637	1,792,145	1,884,782
0073 Debt Service - Bond Issuance Cost and Fees	39	973	1,012
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,942,753	1,289,439	3,232,192
Intergovernmental:			
0099 Other Intergovernmental Charges	179,921	-	179,921
6030 Total Expenditures	<u>22,396,112</u>	<u>9,888,734</u>	<u>32,284,846</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,881,127)</u>	<u>(1,606,107)</u>	<u>(4,487,234)</u>
OTHER FINANCING SOURCES (USES):			
7913 Capital Leases	256,446	-	256,446
7915 Transfers In	-	946,414	946,414
8911 Transfers Out (Use)	-	(946,414)	(946,414)
7080 Total Other Financing Sources (Uses)	<u>256,446</u>	<u>-</u>	<u>256,446</u>
EXTRAORDINARY ITEMS:			
7919 Extraordinary Item - Resource	968,000	-	968,000
1200 Net Change in Fund Balances	<u>(1,656,681)</u>	<u>(1,606,107)</u>	<u>(3,262,788)</u>
0100 Fund Balance - September 1 (Beginning)	<u>5,558,700</u>	<u>1,753,513</u>	<u>7,312,213</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,902,019</u>	<u>\$ 147,406</u>	<u>\$ 4,049,425</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, 2010

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (3,262,788)
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 2010 capital outlays and debt principal payments is to increase (decrease) net assets.	5,703,551
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 assets.	(1,653,667)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, 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 (decrease) net assets.	(274,996)
Change in Net Assets of Governmental Activities	\$ 512,100

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
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2010

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	\$ 9,748,620	\$ 9,832,641	\$ 9,942,675	\$ 110,034
5800	State Program Revenues	9,130,199	9,217,463	9,381,654	164,191
5900	Federal Program Revenues	-	123,125	190,656	67,531
5020	Total Revenues	18,878,819	19,173,229	19,514,985	341,756
EXPENDITURES:					
Current:					
0011	Instruction	9,583,353	9,670,177	9,768,767	(98,590)
0012	Instructional Resources and Media Services	504,703	504,787	511,869	(7,082)
0013	Curriculum and Instructional Staff Development	186,748	159,722	156,659	3,063
0021	Instructional Leadership	376,810	351,314	344,122	7,192
0023	School Leadership	1,584,348	1,597,348	1,596,668	680
0031	Guidance, Counseling and Evaluation Services	529,394	527,331	505,015	22,316
0032	Social Work Services	140,488	141,476	139,910	1,566
0033	Health Services	239,581	239,541	238,825	716
0034	Student (Pupil) Transportation	575,614	896,641	887,920	8,721
0036	Extracurricular Activities	843,977	850,241	846,818	3,423
0041	General Administration	890,157	917,704	906,035	11,669
0051	Facilities Maintenance and Operations	2,549,623	2,951,222	2,896,725	54,497
0052	Security and Monitoring Services	11,500	11,680	9,913	1,767
0053	Data Processing Services	98,643	98,584	92,649	5,935
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	272,703	1,280,606	1,278,867	1,739
0072	Debt Service - Interest on Long Term Debt	90,986	90,986	92,637	(1,651)
0073	Debt Service - Bond Issuance Cost and Fees	-	500	39	461
Capital Outlay:					
0081	Facilities Acquisition and Construction	30,000	1,872,392	1,942,753	(70,361)
Intergovernmental:					
0099	Other Intergovernmental Charges	195,191	195,191	179,921	15,270
6030	Total Expenditures	18,703,819	22,357,443	22,396,112	(38,669)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	175,000	(3,184,214)	(2,881,127)	303,087
OTHER FINANCING SOURCES (USES):					
7913	Capital Leases	-	256,446	256,446	-
8911	Transfers Out (Use)	175,000	(175,000)	-	175,000
7080	Total Other Financing Sources (Uses)	175,000	81,446	256,446	175,000
EXTRAORDINARY ITEMS:					
7919	Extraordinary Item - Resource	-	968,000	968,000	-
1200	Net Change-in Fund Balances	350,000	(2,134,768)	(1,656,681)	478,087
0100	Fund Balance - September 1 (Beginning)	-	5,558,700	5,558,700	-
3000	Fund Balance - August 31 (Ending)	\$ 350,000	\$ 3,423,932	\$ 3,902,019	\$ 478,087

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2010

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 68,685
Total Assets	<u>\$ 68,685</u>
LIABILITIES	
Due to Student Groups	\$ 68,685
Total Liabilities	<u>\$ 68,685</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, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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, governs 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 *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and 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 Assets 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. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010**

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 (GASB 2300.106a(5) and 1600.108), 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 deferred 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.

The Fiduciary Funds are accounted for on a flow of *economic resources measurement focus* and utilize the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recorded in the period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements (GASB 2300.106a(7) and P80.104-107). With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested-in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- 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. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects.

Additionally, the District may report the following fund types:

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 is accounted for in special

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010**

revenue fund and, sometimes, unused balances must be returned to the grantor at the close of specified project periods.

- The **Debt Service Fund** accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The **Capital Projects Fund** accounts for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions

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 and clearing accounts.

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 reports inventories of supplies at weighted average cost including consumable custodial, maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. **Long-term debt** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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. All vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
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.

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010**

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.

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 equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
7. **Net assets** – 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. None of the net assets are restricted by enabling legislation.
8. **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.

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 ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. 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:

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010**

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value 9/1/2009</u>	<u>Change in Net Assets</u>
Land	\$ 2,021,069	\$ -	\$ 2,021,069	
Construction in Progress	-	-	-	
Buildings & Improvements	67,216,361	18,742,116	48,474,245	
Furniture & Equipment	3,148,851	2,276,415	872,436	
	<u>\$ 72,386,281</u>	<u>\$ 21,018,531</u>	<u>\$ 51,367,750</u>	\$ 51,367,750
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Balance 9/1/2009</u>	
Bonds Payable			\$ 35,320,000	
Maintenance Tax Notes Payable			2,020,000	
Capital Lease Payable			195,981	
			<u>\$ 37,535,981</u>	<u>(37,535,981)</u>
Net Adjustment to Net Assets				<u>\$ 13,831,769</u>

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 provides a 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 assets 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 assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Net Assets</u>	<u>Adjustments to Changes in Net Assets</u>
<u>Current Year Capital Outlay</u>			
Total Capital Outlay	\$ 3,664,684	\$ 3,664,684	\$ 3,664,684
<u>Debt Principal Payments</u>			
Bonds Payable	\$ 430,000		
CAB's	330,000		
Maintenance Tax Notes	1,163,000		
Capital Lease Payable	115,867		
	<u>2,038,867</u>	<u>2,038,867</u>	<u>2,038,867</u>
Total Adjustment to Net Assets		<u>\$ 5,703,551</u>	<u>\$ 5,703,551</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:

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010**

	Amount	Adjustments to Net Assets	Adjustments to Changes in Net Assets
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 270,970	\$ -	\$ (270,970)
Uncollected Taxes (Assumed Collectible)			
from Current Year Levy	302,922	302,922	302,922
Uncollected Taxes (Assumed Collectible)			
from Prior Year Levy	353,004	353,004	-
Record Loss on Asset Disposal	158,722	(158,722)	(158,722)
<u>Reclassify Transactions From Bonds and Capital Leases</u>			
Unamortized Issuance Cost on Bonds			
-Beginning Balance	422,459	422,459	-
Current Year Amortization	21,417	(21,417)	(21,417)
Bond Issuance Costs New Issue	-	-	-
Unamortized Premium on Bonds-Beginning			
Balance	932,863	(932,863)	-
Record Premium on New Bond	-	-	-
Record Amortization of Premium	36,579	36,579	36,579
Accumulated Accretion on CAB's			
Current Year Accretion on CAB's	1,018,786	(1,018,786)	-
Current Year Accretion on CAB's	38,102	(38,102)	(38,102)
Unamortized Discount on Bonds			
-Beginning Balance	121,697	121,697	-
Record Amortization of Discount	5,661	(5,661)	(5,661)
Unamortized Deferred Refunding Charge			
-Beginning Balance	227,089	227,089	-
Current Year Amortization of Def Charge	12,616	(12,616)	(12,616)
New Capital Lease	256,446	(256,446)	(256,446)
Payment of Accrued Arbitrage	146,968	-	146,968
Accrued Interest from Prior Year	77,400	-	77,400
Accrued Interest from Current Year	74,931	(74,931)	(74,931)
Total Adjustment to Net Assets		<u>\$ (1,055,794)</u>	<u>\$ (274,996)</u>

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 C-5 and the other two reports are in Exhibit J-4 and J-5.

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

1. Prior to August 20th the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010**

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 1st, 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 amendments were significant.

	Amendment
General Fund	
Building & equipping stadium	\$ 1,779,331
Bus purchase	256,446
Purchase AEP & DAEP facility	244,777

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.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures in excess of appropriations at August 31, 2010 are as follows:

	Excess
General Fund	
Instruction	\$ 98,590
Instructional Resources and Media Services	7,082
Facilities Acquisition and Construction	71
Child Nutrition Fund	18,884

C. DEFICIT FUND EQUITY

There are no deficit fund balances at August 31, 2010.

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a depository contract, contents of which are set out in the *Depository Contract Law*. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

1. Cash Deposits:

At August 31, 2010, the carrying amount of the District's cash and cash equivalents (cash, Certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,737,602 and the bank balance was \$4,922,419. The District's cash deposits at August 31, 2010 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

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- Depository: First State Bank
- The market value of securities pledged as of the date of the highest combined balance on deposit was \$15,446,831.
- The highest combined balances of cash, savings and time deposit accounts amounted to \$15,046,718.
- The amount of FDIC coverage at the time of the highest combined balances was \$500,000.
- The District was underpledged a total of 16 days during the year.

2. Investments:

The District is required by Government Code Chapter 2256, the Public Funds Investment Act 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.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments, which are allowable for the District. These include, with certain restrictions: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District's investments at August 31, 2010 are shown below.

<u>Investment or Investment Type</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
Tex Star	N/A	\$ 87,252

3. Analysis of Specific Deposit and Investment Risks:

GASB Statement 40 requires a determination as to whether the District was exposed to the following specific risks at year end and, if so, the reporting of certain disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year-end, the District was not significantly exposed to credit risk.

At August 31, 2010, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated at the credit risk as follows:

Public Funds Investment Pools:	
Tex Star	AAA

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b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year-end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized-cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "non-participating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to the other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share

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value. A 2a7-like pool is one that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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.

The appraisal and recording of all property within the District is the responsibility of the Cooke County Appraisal District (CCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. CCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District may challenge orders of the CCAD Review Board through various appeals and, if necessary, legal action.

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.

Tax collections are prorated between the general fund and debt service fund based on the tax rate approved by the Board. For the year ended August 31, 2010, the rates were \$1.04 and \$.23532 respectively, per \$100 of assessed value.

Property taxes receivable at year-end was as follows:

Property Taxes Receivable	\$ 728,808
Allowance for Uncollectible Amounts	<u>(72,881)</u>
Net Property Taxes Receivable	<u>\$ 655,927</u>

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. The property tax receivable allowance is equal to 10 percent of outstanding property taxes at August 31, 2010.

C. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2010 consisted of the following individual fund balances:

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Due to Major Fund: General Fund From:	Amount	Purpose
Nonmajor Special Revenue Funds:		
Head Start	\$ 570	Grant funds expended, not received at year-end
ESEA Title I Part A	50,157	Grant funds expended, not received at year-end
IDEA Part B Formula	4,996	Grant funds expended, not received at year-end
Career and Technical-Basic Grant	6,656	Grant funds expended, not received at year-end
ESEA II A Training and Recruiting	12,585	Grant funds expended, not received at year-end
Title III, A English Lang. Acquisition	4,043	Grant funds expended, not received at year-end
ESEA Title XIV ARRA State Stabilization	33,739	Grant funds expended, not received at year-end
IDEA Part B ARRA Formula	699	Grant funds expended, not received at year-end
ESEA I, A Improving Basic Program	47,256	Grant funds expended, not received at year-end
Life Skills Program	11,638	Grant funds expended, not received at year-end
Student Success Initiative	3,624	Grant funds expended, not received at year-end
	<u>\$ 175,963</u>	

Transfers between funds during the year ended August 31, 2010 were as follows:

Between Nonmajor Funds	Amount	Reason
To Schoolwide Consolidated Funds from :		
ESEA Title V Safe & Drug Free School	\$ 10,132	To transfer funds to consolidated fund for schoolwide program
ESEA Title I Part A	638,646	To transfer funds to consolidated fund for schoolwide program
ESEA Title II Part A	235,546	To transfer funds to consolidated fund for schoolwide program
ESEA Title II Part D	7,586	To transfer funds to consolidated fund for schoolwide program
ESEA Title III Part A	51,807	To transfer funds to consolidated fund for schoolwide program
To Summer Feeding Program		
National Breakfast & Lunch Program	2,317	To support Sumer Feeding Program
To Campus Activity Funds:		
National Breakfast & Lunch Program	380	To transfer profit from Java Café
	<u>\$ 946,414</u>	

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2010 were as follows:

	Governmental Activities			Total Receivables
	General Fund	Nonmajor Special Rev.	Debt Service Fund	
Net Property Taxes Receivables	\$ 556,668	\$ -	\$ 99,259	\$ 655,927
Other Governments	307,531	322,601	-	630,132
Other Funds	175,963	-	-	175,963
Other Receivables	75,345	-	3,381	78,726
Total	<u>\$ 1,115,507</u>	<u>\$ 322,601</u>	<u>\$ 102,640</u>	<u>\$ 1,540,748</u>

Amounts Not Expected to be Collected During the Subsequent Year (Included Above)

Property Taxes	<u>\$ 406,668</u>	<u>\$ -</u>	<u>\$ 86,759</u>	<u>\$ 493,427</u>
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Payables at August 31, 2010 were as follows:

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
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	Governmental Activities				General	Total Payables
	General Fund	Capital Projects	Nonmajor Special Rev.	Debt Service Fund	Long Term Debt	
Bonds and Capital Leases						
Payable-Current Portion	\$ -	\$ -	\$ -	\$ -	\$ 623,812	\$ 623,812
Accounts Payable	266,602	-	34,590	-	-	301,192
Salaries & Benefits	533,455	-	152,890	-	-	686,345
Other Governments	293,108	-	-	200,323	-	493,431
Other Funds	-	-	175,963	-	-	175,963
Accrued Interest	-	-	-	60,992	74,931	135,923
Total	<u>\$ 1,093,165</u>	<u>\$ -</u>	<u>\$ 363,443</u>	<u>\$ 261,315</u>	<u>\$ 698,743</u>	<u>\$ 2,416,666</u>

E. 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, 2010, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as *Due from Other Governments*.

	General	Nonmajor	Totals
	Fund	Special Rev. Funds	
State Entitlements	\$ 307,531	\$ 15,262	\$ 322,793
Federal Grants	-	307,339	307,339
Total	<u>\$ 307,531</u>	<u>\$ 322,601</u>	<u>\$ 630,132</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2010, was as follows:

	Balance 9/1/2009	Increases	Reductions	Balance 8/31/2010
<u>Governmental Activities:</u>				
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 2,021,069	-	-	\$ 2,021,069
<u>Capital Assets Being Depreciated</u>				
Buildings & Improvements	67,216,361	3,259,258	(390,740)	70,084,879
Furniture & Equipment	3,148,852	405,426	-	3,554,278
	<u>70,365,213</u>	<u>3,664,684</u>	<u>(390,740)</u>	<u>73,639,157</u>
<u>Less Accumulated Depreciation</u>				
Buildings & Improvements	18,742,116	1,392,085	(232,018)	19,902,183
Furniture & Equipment	2,276,416	261,582	-	2,537,998
	<u>21,018,532</u>	<u>1,653,667</u>	<u>(232,018)</u>	<u>22,440,181</u>
Net Capital Assets				
Being Depreciated	49,346,681	2,011,017	(158,722)	51,198,976
Net Capital Assets	<u>\$ 51,367,750</u>	<u>2,011,017</u>	<u>(158,722)</u>	<u>\$ 53,220,045</u>

Depreciation expense was charged to governmental functions as follows:

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11 Instruction	\$ 1,296,053
12 Instructional Resources and Media Services	14,779
23 School Leadership	14,678
31 Guidance, Counseling and Evaluation Services	10,155
32 Social Work Services	5,607
33 Health Services	9,786
34 Student Transportation	77,769
35 Food Services	82,212
36 Cocurricular/Extracurricular Activities	95,900
41 General Administration	16,295
51 Plant Maintenance and Operations	30,433
Total Depreciation Expense	\$ 1,653,667

G. LONG-TERM DEBT

Long-term debt of the District is reflected in the Statement of Net Assets. Current expenditures for principal and interest of maintenance notes and capital leases are accounted for in the General Fund; current expenditures for principal and interest of bonds are accounted for in the Debt Service Fund.

Bonds and Maintenance Notes

- The Gainesville Independent School District Unlimited Tax Refunding Bonds, Series 1998 were issued February 15, 1998 in the amount of \$2,945,000 is current interest bonds and capital appreciation bonds with a maturity value of \$665,000. The current interest portion of these bonds was defeased by the 2008 Unlimited Tax Refunding Bonds. The capital appreciation portion of the 1998 issue remain outstanding and will mature in 2012.
- The Gainesville Independent School Maintenance Tax Notes, Series 2003 were issued February 15, 2003 in the amount of \$1,000,000. The notes bear interest from 3.45% to 4% and are due in annual installments ranging from \$35,000 to \$115,000 through February 2013.
- The Gainesville Independent School District Unlimited Tax Refunding Bonds, Series 2004 were issued December, 2004. This issue was used to partially refund (\$1,590,000) the Series 1995 School Building Bonds and partially refund (\$3,080,000) the Series 1997 School Building Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$290,169. This amount is being amortized over the remaining life of the new debt issued. The refunding was undertaken to reduce total debt service by \$566,528, and resulted in a net present value savings of \$350,820. The bonds are comprised of \$4,650,000 of current interest bonds and capital appreciation bonds with a maturity value of \$430,000. The current interest bonds bear interest from 2% to 4.63% and are due in annual installments ranging from \$236,000 to \$644,000 through February 2027.
- The Gainesville Independent School District Unlimited Tax School Building Bonds, Series 2006 were issued March 28, 2007 in the amount of \$29,500,000. The bonds bear interest from 4.0% to 4.5% and are due in annual installments ranging from \$335,000 to \$2,355,000 through February 2036.
- The Gainesville Independent School Maintenance Tax Notes, Series 2007 were issued August 30, 2007 in the amount of \$1,770,000. The notes bear interest at 4.5% and are due in annual installments ranging from \$90,000 to \$160,000 through February 2022.
- The Gainesville Independent School District Unlimited Tax Refunding Bonds Series 2008 were issued February 15, 2008. This issue was used to refund the current interest portion of the 1998 Unlimited Tax Refunding Bonds. The reacquisition price and the net carrying amount of the old debt was \$2,610,000. The refunding was undertaken to reduce total debt service by \$171,951, and resulted in a net present value savings of \$134,472. The bonds are comprised of \$2,595,000 of current interest bonds and capital

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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appreciation bonds with a maturity value of \$50,000. The current interest bonds bear interest from 3.2% to 4.2% and are due in annual installments ranging from \$10,000 to \$335,000 through February 2021.

A summary of changes in bonds and maintenance notes for the year ended August 31, 2010 is as follows:

	Tax Refunding Bonds Series 1998	Maint. Tax Notes Series 2003	Tax Refunding Bonds Series 2004	School Building Bonds Series 2006	Maint. Tax Notes Series 2007	Tax Refunding Bonds Series 2008	Totals
Balance, 9/1/2009	\$ -	\$ 430,000	\$ 4,370,000	\$ 28,355,000	\$ 1,590,000	\$ 2,595,000	\$ 37,340,000
New Debt	-	-	-	-	-	-	-
Less Adjustment	-	-	-	-	-	-	-
Payments-Scheduled	-	(100,000)	-	(420,000)	(1,063,000)	(10,000)	(1,593,000)
Paid from Refunding	-	-	-	-	-	-	-
Balance, 8/31/2010	-	330,000	4,370,000	27,935,000	527,000	2,585,000	35,747,000
Capital Appreciation Bonds	440,000	-	325,000	-	-	-	765,000
Less Future Accretion	(20,964)	-	(17,148)	-	-	-	(38,112)
Book Value of CAB's	419,036	-	307,852	-	-	-	726,888
Discount on Bonds	-	-	(62,365)	(59,332)	-	-	(121,697)
Less Current Year's Amortization	-	-	3,464	2,198	-	-	5,662
Unamortized Discount	-	-	(58,901)	(57,134)	-	-	(116,035)
Premium on Bonds	-	-	-	889,039	-	43,841	932,880
Less Current Year's Amortization	-	-	-	(32,927)	-	(3,652)	(36,579)
Unamortized Premium	-	-	-	856,112	-	40,189	896,301
Deferred Refunding Expense	-	-	(227,089)	-	-	-	(227,089)
Less Current Year Amortization	-	-	12,616	-	-	-	12,616
	-	-	(214,473)	-	-	-	(214,473)
Arbitrage Payable	-	-	-	-	-	-	-
Net Bond Carrying Balance	\$ -	\$ 330,000	\$ 4,404,478	\$ 28,733,978	\$ 527,000	\$ 2,625,189	\$ 37,039,691
Current Portion Current Year	\$ -	\$ 105,000	\$ -	\$ 435,000	\$ 95,000	\$ 10,000	\$ 645,000
Interest Expense	\$ -	\$ 14,168	\$ 188,630	\$ 1,774,525	\$ 69,365	\$ 102,040	\$ 2,148,728

For the year ended August 31, 2010, the School recognized interest accretion of \$25,407 on the 1998 Capital Appreciation Bonds, \$12,694 on the 2004 Capital Appreciation Bonds.

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Future bond debt service requirements are as follows:

Year Ended August 31,	Principal	Interest	Capital Appreciation Bonds	Total
2011	645,000	1,638,295	330,000	2,613,295
2012	675,000	1,616,174	330,000	2,621,174
2013	935,000	1,588,834	105,000	2,628,834
2014	960,000	1,556,277	-	2,516,277
2015	995,000	1,522,442	-	2,517,442
2016 - 2020	5,002,000	7,028,574	-	12,030,574
2021 - 2025	6,225,000	5,845,656	-	12,070,656
2026 - 2030	7,850,000	4,236,257	-	12,086,257
2031 - 2035	10,105,000	1,989,349	-	12,094,349
2036 - 2040	2,355,000	61,819	-	2,416,819
Total	\$ 35,747,000	\$ 27,083,677	\$ 765,000	\$ 63,595,677

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2010.

Defeased Debt

In 1998, the District defeased a portion of the Series 1995 bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On August 31, 2010, \$1,590,000 of bonds considered defeased was still outstanding.

In 2005, the Series 1995 bonds were again partially defeased by the 2004 Refunding Bonds. The 2004 Refunding Bonds also partially defeased \$3,080,000 of the 1997 bonds. At August 31, 2010, \$2,880,000 of the 1997 bonds considered defeased was still outstanding.

In 2008, the Series 1998 bonds were partially defeased by the 2008 Refunding Bonds. At August 31, 2010, \$2,555,000 of the 1998 bonds considered defeased was still outstanding.

Capital Leases

- A capital lease with Standard Leasing, LLC was issued in December 2003 for the purchase of a bus in the amount of \$59,786. The lease is payable in annual installments of \$9,866 with the final payment due in September 2010. The interest rate is 4.09%.
- A capital lease with Banc One Leasing Corporation was issued in June 2004 for the purchase of five buses in the amount of \$290,507. The lease is payable in annual installments of \$46,654 with the final payment due in June 2010. The interest rate is 4.09%.
- A capital lease with Bluebird Leasing was issued in November 2006 for the purchase of two buses in the amount of \$138,860. The lease is payable in annual installments of \$30,497 with the final payment due in November 2010. The interest rate is 4.70%.
- A capital lease with Bank of America Pubic Capital Corp. was issued in January 2008 for the purchase of 14 copy machines in the amount of \$165,420. The lease is payable in monthly installments of \$3,163 with the final payment due in December 2012. The interest rate is 5.541%.
- A capital lease with Municipal Services Group was issued in July 2010 for the purchase of three buses in the amount of \$256,446. The lease is payable in annual installments of \$41,102 with the final payment due in September 2016. The interest rate is 3.780%.

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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A summary of changes in capital leases for the year ended August 31, 2010 is as follows:

	Municipal Services <u>3 Buses</u>	Standard Leasing <u>1 Bus</u>	Banc One Leasing <u>5 Buses</u>	Bluebird Leasing <u>2 Buses</u>	Bank of America <u>Copy Mach.</u>	Totals
Balance, 9/1/2009	\$ -	\$ 9,388	\$ 44,821	\$ 29,127	\$ 112,645	\$ 195,981
New Debt	256,446	-	-	-	-	256,446
Payments	-	(9,388)	(44,821)	(29,127)	(32,530)	(115,866)
Balance, 8/31/2010	<u>\$ 256,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,115</u>	<u>\$ 336,561</u>
Current Portion	<u>\$ 39,432</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,380</u>	<u>\$ 73,812</u>
Current Year Interest Expense	<u>\$ 39,432</u>	<u>\$ 479</u>	<u>\$ 1,833</u>	<u>\$ 1,369</u>	<u>\$ 5,424</u>	<u>\$ 48,537</u>

Future capital lease requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2011	\$ 73,811	\$ 5,244	\$ 79,055
2012	69,232	9,824	79,056
2013	43,545	7,046	50,591
2014	35,433	5,669	41,102
2015	36,772	4,330	41,102
2016-2020	77,768	4,437	82,205
Total	<u>\$ 336,561</u>	<u>\$ 36,550</u>	<u>\$ 373,111</u>

H. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments. Lease expense for operating lease agreements for the current year is \$10,462. Minimum future annual requirements as of August 31, 2010 are as follows:

Year Ended August 31,	Amount
2011	18,359
2012	17,239
2013	14,570
2014	13,634
2015	5,130
Thereafter	-
Total	<u>\$ 68,932</u>

I. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	General Fund	Nonmajor Special Rev. Funds	Debt Service Fund	Totals
Net Tax Revenue	\$ 556,668	\$ -	\$ 99,259	\$ 655,927

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
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J. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Nonmajor Special Rev. Funds	Debt Service Fund	Construction Projects Fund	Totals
Property Taxes	\$ 9,655,475	\$ -	\$ 2,181,237	\$ -	\$11,836,712
Penalties & Interest on Property	59,215	-	11,028	-	70,243
Services to Other Districts	-	-	-	-	-
Tuition & Fees	-	-	-	-	-
Investment Income	46,721	-	1,874	-	48,595
Rent	-	-	-	-	-
Gifts & Bequests	-	18,528	-	-	18,528
Insurance Recovery	85,200	-	-	-	85,200
Food Sales	-	313,566	-	-	313,566
Co-Curricular Student Activities	55,538	37,609	-	-	93,147
Other Revenues	40,526	-	-	-	40,526
	<u>\$ 9,942,675</u>	<u>\$ 369,703</u>	<u>\$ 2,194,139</u>	<u>\$ -</u>	<u>\$12,506,517</u>

V. OTHER INFORMATION

A. 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 may be carried forward to the next fiscal year subject to a maximum of fifteen carryover days. The District has not recorded a liability for accumulated sick leave since the amount is not considered material.

Full-term employees (employees with 12-month appointments) are eligible for paid vacation leave. Vacation time is accrued as follows: one week after one year of employment, two weeks after three years of continuous employment, and three weeks after five years of continuous employment. Vacation earned during one fiscal year may be carried forward to the next fiscal year subject to the maximums for length of employment. The District has not recorded a liability for accumulated vacation since the amount is not considered material.

B. PENSION PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010**

legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2010, 2009 and 2008, and state contribution rate of 6.644% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January thru August 2010.

State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2010, 2009, and 2008 are shown on the table following. The District paid additional State contributions on the portion of the employees' salaries that exceeded the statutory minimum for the years ended August 31, 2010, 2009, and 2008, as shown on the table.

	For the Years Ended August 31,		
	2010	2009	2008
TRS On Behalf	\$ 940,737	\$ 960,000	\$ 978,539
Additional Contributions	83,349	82,862	81,944

C. 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. These on-behalf payments are shown on the table following:

	For the Years Ended August 31,		
	2010	2009	2008
TRS On Behalf Medicare Part D	39,923	34,826	37,330

D. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

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 State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009 and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than .75% of the salary of each active employee of the public school. The amounts are reflected on the following table:

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010**

	For the Years Ended August 31,		
	2010	2009	2008
State's Contributions	\$ 152,331	\$ 158,055	\$ 156,551
Employee Contributions	99,015	102,735	101,758
District Contributions	83,782	86,930	86,103

E. HEALTH CARE COVERAGE

The District is a participating member in the Texas School Employees Uniform Group Health Coverage Program (TRS-ActiveCare). TRS-ActiveCare is a group health insurance program (the Plan) in which, by statute, all school districts with 500 or fewer employees are required to participate.

During the year ended August 31, 2010, the District paid premiums of \$292 per month per employee to the Plan (employees, at their own option, may authorize payroll withholdings to pay premiums for dependents). "Employee" means a participating member of the Teacher Retirement System of Texas who is employed by a participating entity.

F. RELATED ORGANIZATIONS

Related organizations represent organizations for which the District is responsible for appointing a voting majority of the board of the organization. These organizations represent separate non-governmental entities that are not controlled by nor are dependent upon the District. They also do not meet the criteria of financial accountability, consequently the financial information of related organizations are not included in the District's financial statements. The following organization is a related organization of the District.

The **Gainesville ISD Education Foundation** is a nonprofit (501(c) (3)) organization funded by contributions received from the general public. The purpose of the organization is to generate and distribute resources to the District to enrich, maintain, and expand programs needed to meet the District's stated mission of excellence in education.

G. SUBSEQUENT EVENT

The District's management has evaluated subsequent events through December 31, 2010, the date which the financial statements were available for issue.

COMBINING STATEMENTS

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2010

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA -Part B Formula	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	21,063	50,280	22,085
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 21,063</u>	<u>\$ 50,280</u>	<u>\$ 22,085</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2140	Interest Payable - Current	-	-	-	-
2160	Accrued Wages Payable	-	18,700	112	15,603
2170	Due to Other Funds	-	570	50,157	4,996
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	-	1,793	11	1,486
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>21,063</u>	<u>50,280</u>	<u>22,085</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long Term Debt	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 21,063</u>	<u>\$ 50,280</u>	<u>\$ 22,085</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization
\$ -	\$ 14,845	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
437	55,105	-	6,656	12,585	-	4,043	74,279
-	-	-	-	-	-	-	-
<u>\$ 437</u>	<u>\$ 69,950</u>	<u>\$ -</u>	<u>\$ 6,656</u>	<u>\$ 12,585</u>	<u>\$ -</u>	<u>\$ 4,043</u>	<u>\$ 74,279</u>
\$ -	\$ 32,346	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
404	8,955	-	-	-	-	-	40,022
-	-	-	6,656	12,585	-	4,043	33,739
-	-	-	-	-	-	-	-
33	225	-	-	-	-	-	518
-	-	-	-	-	-	-	-
<u>437</u>	<u>41,526</u>	<u>-</u>	<u>6,656</u>	<u>12,585</u>	<u>-</u>	<u>4,043</u>	<u>74,279</u>
-	-	-	-	-	-	-	-
-	28,424	-	-	-	-	-	-
-	28,424	-	-	-	-	-	-
<u>\$ 437</u>	<u>\$ 69,950</u>	<u>\$ -</u>	<u>\$ 6,656</u>	<u>\$ 12,585</u>	<u>\$ -</u>	<u>\$ 4,043</u>	<u>\$ 74,279</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2010

Data Control Codes	270 ESEA VI, Pt B Rural & Low Income	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	-	13,550	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,550</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2140	Interest Payable - Current	-	-	-	-
2160	Accrued Wages Payable	-	-	11,729	-
2170	Due to Other Funds	-	-	699	-
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	-	-	1,122	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>13,550</u>	<u>-</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long Term Debt	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,550</u>	<u>\$ -</u>

285 ESEA I,A Improving Basic Program	288 Summer School LEP	289 Schoolwide Consolidated Funds	394 Life Skills Program	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants	423 LEP Success Initiative
\$ -	\$ -	\$ 52,177	\$ -	\$ -	\$ 9,924	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
47,256	-	-	11,638	3,624	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 47,256</u>	<u>\$ -</u>	<u>\$ 52,177</u>	<u>\$ 11,638</u>	<u>\$ 3,624</u>	<u>\$ 9,924</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	47,691	-	-	-	-	-
47,256	-	-	11,638	3,624	-	-	-
-	-	-	-	-	-	-	-
-	-	4,486	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>47,256</u>	<u>-</u>	<u>52,177</u>	<u>11,638</u>	<u>3,624</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	9,924	-	-
-	-	-	-	-	9,924	-	-
<u>\$ 47,256</u>	<u>\$ -</u>	<u>\$ 52,177</u>	<u>\$ 11,638</u>	<u>\$ 3,624</u>	<u>\$ 9,924</u>	<u>\$ -</u>	<u>\$ -</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2010

Data Control Codes	429 Texas Fitness Now/ AP Campus	461 Campus Activity Funds	499 GISD Education Foundation	Total Nonmajor Special Revenue Funds
ASSETS				
1110	\$ 230	\$ 54,277	\$ 7,154	\$ 138,607
1220	-	-	-	-
1230	-	-	-	-
1240	-	-	-	322,601
1290	-	-	-	-
1000	<u>\$ 230</u>	<u>\$ 54,277</u>	<u>\$ 7,154</u>	<u>\$ 461,208</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	\$ -	\$ 2,244	\$ -	\$ 34,590
2140	-	-	-	-
2160	-	-	-	143,216
2170	-	-	-	175,963
2180	-	-	-	-
2200	-	-	-	9,674
2300	-	-	-	-
2000	<u>-</u>	<u>2,244</u>	<u>-</u>	<u>363,443</u>
Fund Balances:				
Reserved For:				
3420	-	-	-	-
Unreserved and Undesignated:				
3610	230	52,033	7,154	97,765
3000	<u>230</u>	<u>52,033</u>	<u>7,154</u>	<u>97,765</u>
4000	<u>\$ 230</u>	<u>\$ 54,277</u>	<u>\$ 7,154</u>	<u>\$ 461,208</u>

599 Debt Service Fund	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 307,575	\$ -	\$ 446,182
110,288	-	110,288
(11,029)	-	(11,029)
-	-	322,601
3,381	-	3,381
<u>\$ 410,215</u>	<u>\$ -</u>	<u>\$ 871,423</u>
\$ -	\$ -	\$ 34,590
60,992	-	60,992
-	-	143,216
-	-	175,963
200,323	-	200,323
-	-	9,674
99,259	-	99,259
<u>360,574</u>	<u>-</u>	<u>724,017</u>
49,641	-	49,641
-	-	97,765
<u>49,641</u>	<u>-</u>	<u>147,406</u>
<u>\$ 410,215</u>	<u>\$ -</u>	<u>\$ 871,423</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA -Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	2,805
5900 Federal Program Revenues	12,269	363,713	734,701	448,720
5020 Total Revenues	<u>12,269</u>	<u>363,713</u>	<u>734,701</u>	<u>451,525</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,137	361,405	20,435	334,495
0013 Curriculum and Instructional Staff Development	-	2,308	54,295	-
0021 Instructional Leadership	-	-	21,325	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	117,030
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>2,137</u>	<u>363,713</u>	<u>96,055</u>	<u>451,525</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,132</u>	<u>-</u>	<u>638,646</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	(10,132)	-	(638,646)	-
7080 Total Other Financing Sources (Uses)	<u>(10,132)</u>	<u>-</u>	<u>(638,646)</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization
\$ -	\$ 313,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	44,645	618	-	-	-	-	50,867
13,238	1,522,365	18,594	49,055	236,091	7,586	60,317	910,276
<u>13,238</u>	<u>1,880,576</u>	<u>19,212</u>	<u>49,055</u>	<u>236,091</u>	<u>7,586</u>	<u>60,317</u>	<u>961,143</u>
13,238	-	-	46,849	-	-	-	961,143
-	-	-	260	545	-	-	-
-	-	-	-	-	-	8,510	-
-	-	-	1,946	-	-	-	-
-	-	-	-	-	-	-	-
-	1,849,455	21,529	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>13,238</u>	<u>1,849,455</u>	<u>21,529</u>	<u>49,055</u>	<u>545</u>	<u>-</u>	<u>8,510</u>	<u>961,143</u>
-	31,121	(2,317)	-	235,546	7,586	51,807	-
-	-	2,317	-	-	-	-	-
-	(2,697)	-	-	(235,546)	(7,586)	(51,807)	-
-	(2,697)	2,317	-	(235,546)	(7,586)	(51,807)	-
-	28,424	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 28,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	270 ESEA VI, Pt B Rural & Low Income	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	68,408	14,649	304,150	11,840
5020 Total Revenues	<u>68,408</u>	<u>14,649</u>	<u>304,150</u>	<u>11,840</u>
EXPENDITURES:				
Current:				
0011 Instruction	68,408	8,444	229,430	11,840
0013 Curriculum and Instructional Staff Development	-	6,205	51,624	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	23,096	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>68,408</u>	<u>14,649</u>	<u>304,150</u>	<u>11,840</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund-Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	429 Texas Fitness Now/ AP Campus	461 Campus Activity Funds	499 GISD Education Foundation	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 37,609	\$ 18,528	\$ 369,703
5800 State Program Revenues	15,712	-	-	438,996
5900 Federal Program Revenues	-	-	-	5,266,412
5020 Total Revenues	<u>15,712</u>	<u>37,609</u>	<u>18,528</u>	<u>6,075,111</u>
EXPENDITURES:				
Current:				
0011 Instruction	15,482	11,320	18,314	3,777,754
0013 Curriculum and Instructional Staff Development	-	-	-	201,526
0021 Instructional Leadership	-	-	-	29,835
0023 School Leadership	-	24,197	-	24,197
0031 Guidance, Counseling and Evaluation Services	-	-	-	142,072
0034 Student (Pupil) Transportation	-	-	(502)	(502)
0035 Food Services	-	-	-	1,870,984
0041 General Administration	-	311	-	311
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>15,482</u>	<u>35,828</u>	<u>17,812</u>	<u>6,046,177</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>230</u>	<u>1,781</u>	<u>716</u>	<u>28,934</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	380	-	946,414
8911 Transfers Out (Use)	-	-	-	(946,414)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>380</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	230	2,161	716	28,934
0100 Fund Balance - September 1 (Beginning)	-	49,872	6,438	68,831
3000 Fund Balance - August 31 (Ending)	<u>\$ 230</u>	<u>\$ 52,033</u>	<u>\$ 7,154</u>	<u>\$ 97,765</u>

599 Debt Service Fund	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 2,194,139	\$ -	\$ 2,563,842
13,377	-	452,373
-	-	5,266,412
<u>2,207,516</u>	<u>-</u>	<u>8,282,627</u>
-	-	3,777,754
-	-	201,526
-	-	29,835
-	-	24,197
-	-	142,072
-	-	(502)
-	-	1,870,984
-	-	311
760,000	-	760,000
1,645,195	146,950	1,792,145
973	-	973
-	1,289,439	1,289,439
<u>2,406,168</u>	<u>1,436,389</u>	<u>9,888,734</u>
<u>(198,652)</u>	<u>(1,436,389)</u>	<u>(1,606,107)</u>
-	-	946,414
-	-	(946,414)
-	-	-
<u>(198,652)</u>	<u>(1,436,389)</u>	<u>(1,606,107)</u>
<u>248,293</u>	<u>1,436,389</u>	<u>1,753,513</u>
<u>\$ 49,641</u>	<u>\$ -</u>	<u>\$ 147,406</u>

TEA REQUIRED SCHEDULES

(10) Beginning Balance 9/1/2009	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2010
\$ 91,183	\$ -	\$ 2,901	\$ 206	\$ (29,497)	\$ 58,579
31,720	-	962	55	(527)	30,176
29,335	-	1,519	76	(2,069)	25,671
27,410	-	2,424	89	(2,815)	22,082
26,919	-	2,777	102	(3,238)	20,802
32,761	-	4,994	183	(3,210)	24,374
65,761	-	18,782	4,727	(4,418)	37,834
105,712	-	33,848	7,988	(2,691)	61,185
282,503	-	99,337	22,578	(15,406)	145,182
-	11,861,175	9,487,931	2,145,233	74,912	302,923
<u>\$ 693,304</u>	<u>\$ 11,861,175</u>	<u>\$ 9,655,475</u>	<u>\$ 2,181,237</u>	<u>\$ 11,041</u>	<u>\$ 728,808</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2010

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ 4,148	\$ -	\$ 176,370	\$ 475,926	\$ -	\$ -	\$ 656,444
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	2,710	46,019	-	-	-	48,729
6212	Audit Services	-	-	-	19,985	-	-	19,985
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	231,892	-	-	-	-	231,892
621X	Other Professional Services--	792	-	12,554	33,497	-	-	46,843
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	39,000	-	-	39,000
6240	Contr. Maint. and Repair	-	-	-	192	-	-	192
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	7,761	-	-	7,761
6290	Miscellaneous Contr.	-	-	884	2,727	-	-	3,611
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	7,518	-	3,179	28,938	-	-	39,635
6410	Travel, Subsistence, Stipends	3,402	-	2,254	9,912	-	-	15,568
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	2,640	-	-	-	-	-	2,640
6490	Miscellaneous Operating	3,674	-	5,302	28,370	-	-	37,346
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 22,174	\$ 234,602	\$ 246,562	\$ 646,308	\$ -	\$ -	\$ 1,149,646

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 28,442,289

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 1,942,753
Total Debt & Lease(6500)	(11) 1,371,543
Plant Maintenance (Function 51, 6100-6400)	(12) 2,805,315
Food (Function 35, 6341 and 6499)	(13) 747,874
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	646,308

SubTotal:

7,513,794

Net Allowed Direct Cost

\$ 20,928,495

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 70,084,879
Historical Cost of Building over 50 years old	(16) \$ 9,275,000
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 3,554,277
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 238,182
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$63,378 in Function 53 expenditures are included in this report on administrative costs.
 \$179,921 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2010

UNAUDITED

1	Total General Fund Balance as of 8/31/10 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 3,902,019
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ -	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	-	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	1,203,408	
5	Estimate of two month's average cash disbursements during the fiscal year.	3,552,000	
6	Estimate of delayed payments from state sources (58xx).	-	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	509,488	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Adjustment to meet Board Policy	-	
11	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10)	<u>5,264,896</u>	
12	Excess (Deficit)- Undesignated Unreserved General Fund Balance (Line 1 minus Line 11)		<u>\$ (1,362,877)</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, 2010

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	\$ 408,394	\$ 408,394	\$ 313,566	\$ (94,828)
5800 State Program Revenues	44,377	44,377	44,645	268
5900 Federal Program Revenues	1,407,012	1,407,012	1,522,365	115,353
5020 Total Revenues	1,859,783	1,859,783	1,880,576	20,793
EXPENDITURES:				
0035 Food Services	1,830,571	1,830,571	1,849,455	(18,884)
6030 Total Expenditures	1,830,571	1,830,571	1,849,455	(18,884)
1100 Excess-(Deficiency)-of Revenues Over-(Under) Expenditures	29,212	29,212	31,121	1,909
OTHER FINANCING SOURCES (USES):				
7961 Transfers Out (Use)	-	-	(2,697)	(2,697)
7080 Total Other Financing Sources (Uses)	-	-	(2,697)	(2,697)
1200 Net Change in Fund Balances	29,212	29,212	28,424	(788)
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ 29,212	\$ 29,212	\$ 28,424	\$ (788)

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, 2010

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	\$ 2,074,134	\$ 2,074,134	\$ 2,194,139	\$ 120,005
5800 State Program Revenues	-	-	13,377	13,377
5020 Total Revenues	2,074,134	2,074,134	2,207,516	133,382
EXPENDITURES:				
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	760,000	760,000	760,000	-
0072 Debt Service - Interest on Long Term Debt	1,645,195	1,645,195	1,645,195	-
0073 Debt Service - Bond Issuance Cost and Fees	1,000	1,000	973	27
6030 Total Expenditures	2,406,195	2,406,195	2,406,168	27
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(332,061)	(332,061)	(198,652)	133,409
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	175,000	175,000	-	(175,000)
7080 Total Other Financing Sources (Uses)	175,000	175,000	-	(175,000)
1200 Net Change in Fund Balances	(157,061)	(157,061)	(198,652)	(41,591)
0100 Fund Balance - September 1 (Beginning)	248,293	248,293	248,293	-
3000 Fund Balance - August 31 (Ending)	\$ 91,232	\$ 91,232	\$ 49,641	\$ (41,591)

FEDERAL AWARDS SECTION



**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
800 South Morris Street
Gainesville, TX 76240

We have audited 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, 2010, which collectively comprise the Gainesville Independent School District's basic financial statements and have issued our report thereon dated December 31, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Gainesville Independent School District, in a separate letter dated December 31, 2010.

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

Schalk & Smith P. C.
December 31, 2010



REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees
Gainesville Independent School District
800 South Morris Street
Gainesville, TX 76240

Compliance

We have audited the compliance of Gainesville Independent School District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Gainesville Independent School District's management. Our responsibility is to express an opinion on Gainesville Independent School District's compliance based on our audit.

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

In our opinion, Gainesville Independent School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2010.

Internal Control Over Compliance

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

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

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

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

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

Schalk & Smith P.C.

Schalk & Smith, P.C.
December 31, 2010

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2010**

N/A

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2010**

(Prepared by the District's Administration)

N/A

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2010

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10610101049901	\$ 684,420
ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610101049901	50,280
Total CFDA Number 84.010A			<u>734,700</u>
IDEA - Part B, Formula	84.027	10660001049901600	426,635
IDEA - Part B, Formula	84.027	11660001049901600	22,085
Total CFDA Number 84.027			<u>448,720</u>
Career and Technical - Basic Grant	84.048	10420006049901	47,109
Career and Technical - Basic Grant	84.048	11420006049901	1,946
Total CFDA Number 84.048			<u>49,055</u>
IDEA - Part B, Preschool	84.173	106610010499016600	12,801
IDEA - Part B, Preschool	84.173	116610010499016600	437
Total CFDA Number 84.173			<u>13,238</u>
ESEA Title IV, Pt. A - Safe and Drug-Free Schools	84.186A	10691001049901	12,269
Title II, Part D -Enhancing Ed. Through Technology	84.318	10630001049901	7,586
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	10696001049901	68,408
Title III, Part A - English Language Acquisition	84.365A	10671001049901	56,274
Title III, Part A - English Language Acquisition	84.365A	11671001049901	4,043
Total CFDA Number 84.365A			<u>60,317</u>
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	10694501049901	223,506
	84.367A	11694501049901	12,585
Total CFDA Number 84.367A			<u>236,091</u>
Title II D Enhancing Ed. Through Technology - ARRA	84.386	10553001049901	14,649
ESEA, Title I, A - ARRA - Improving Basic Programs	84.389	10551001049901	488,387
IDEA, Part B, Formula - ARRA	84.391	10554001049901	291,299
IDEA, Part B, Formula - ARRA	84.391	11554001049901	12,851
Total CFDA Number 84.391			<u>304,150</u>
IDEA, Part B, Preschool - ARRA	84.392	10555001049901	11,840
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	10557001049901	869,736
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11557001049901	40,540
Total CFDA Number 84.394			<u>910,276</u>
Summer School LEP	84.369A	Unknown	2,053
Total Passed Through State Department of Education			<u>\$ 3,361,739</u>
TOTAL DEPARTMENT OF EDUCATION			<u>\$ 3,361,739</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	Unknown	\$ 190,657
Total Passed Through Texas Dept of Human Services			<u>\$ 190,657</u>
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH7009	\$ 363,713
Total Passed Through State Department of Education			<u>\$ 363,713</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 554,370</u>
U.S. DEPARTMENT OF AGRICULTURE			

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2010

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<u>Passed Through the State Department of Agriculture</u>			
School Breakfast Program*	10.553	Unknown	\$ 487,907
National School Lunch Program - Cash Assistance*	10.555	Unknown	946,977
National School Lunch Prog. - Non-Cash Assistance*	10.555	Unknown	87,481
Total CFDA Number 10.555			1,034,458
Summer Feeding Program - Cash Assistance	10.559	Unknown	18,594
Total Passed Through the State Department of Agriculture			\$ 1,540,959
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,540,959
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,457,068

*Clustered Programs as required by Compliance Supplement March, 2010

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2010

1. 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.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the 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 grant funds 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 deferred revenues until earned.

3. 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 Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.