

**GAINESVILLE INDEPENDENT
SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2018**

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**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018**

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Certificate of Board	1
	Independent Auditor's Report	2-3
	Management's Discussion and Analysis	4-9
	<u>Basic Financial Statements</u>	
	Government Wide Statements:	
A-1	Statement of Net Position	10
B-1	Statement of Activities	11
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	12
C-2	Reconciliation for C-1	13
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	14
C-4	Reconciliation for C-3	15-16
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	17
	Notes to the Financial Statements	18-41
	<u>Required Supplementary Information</u>	
G-1	General Fund – Budgetary Comparison Schedule	42
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	43
G-3	Schedule of District Contributions to TRS	44
G-4	Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS)	45
	Schedule of District Contributions for Other Post-employment Benefits (TRS)	46
	Notes to Required Supplementary Information	47-48
	<u>Combining Statements</u>	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	49-52
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	53-56
	<u>Required TEA Schedules</u>	
J-1	Schedule of Delinquent Taxes	57-58
J-2	Budgetary Comparison Schedule - Child Nutrition Fund	59
J-3	Budgetary Comparison Schedule - Debt Service Fund	60
	<u>Federal Awards Section</u>	
	Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61-62
	Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance as required by Uniform Guidance	63-64
	Schedule of Findings and Questioned Costs	65
	Schedule of Status of Prior Findings	66
	Corrective Action Plan	67
K-1	Schedule of Expenditures of Federal Awards	68
	Notes to Schedule of Expenditures of Federal Awards	69
L	School First Questionnaire	70

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Gainesville Independent School District
Gainesville, TX

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gainesville Independent School District (the District), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gainesville Independent School District, as of August 31, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes I and III.N to the financial statements, in 2018, the District adopted new accounting guidance prescribed by GASB #75 for its other post-employment benefit (OPEB) plan—a multiple-employer, cost-sharing, defined benefit OPEB plan that has a special funding situation. Because GASB #75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-wide Statements. Exhibit A-1 discloses the District's Net OPEB Liability and some deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 9), budgetary comparison information (page 42), and Teacher Retirement System schedules (pages 43 through 48) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

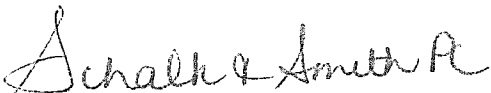
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2019, on our consideration of the Gainesville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gainesville Independent School District's internal control over financial reporting and compliance.



Schalk & Smith, P.C.
January 11, 2019

GAINESVILLE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Gainesville Independent School District (the "District"), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2018. Please read it in conjunction with the independent auditor's report on pages 2 and 3 and the District's Basic Financial Statements that begin on page 10.

FINANCIAL HIGHLIGHTS

Other post employee benefits OPEB

*Our portion
of Health
care*

- The District's combined net position increased by \$6,239,357 during the fiscal year from the result of current year operations. However, total net position also decreased by \$16,337,957 due to new standards that required recording of the District's proportionate share of the Teacher Retirement System's net OPEB liability.
- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal period by \$20,078,295 (net position). None of the amount is considered unrestricted.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$12,527,587. \$10,071,489 of this total amount, or 80.3%, is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, unassigned fund balance for the general fund was \$10,071,489 or 42.8% of non-capital general fund expenditures.

USING THIS ANNUAL REPORT

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

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

The notes to the financial statements (starting on page 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.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District's financial situation has improved as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the

Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Position on page 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Position (Table I) and changes in Net Position (Table II) of the District's governmental-type activities. As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,078,295, which represented an increase of \$6,239,357 from current operations and a decrease of \$16,337,957 due to new standards that required recording of the District's proportionate share of the Teacher Retirement Systems' net OPEB liability. Unrestricted net position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a deficit at August 31, 2018.

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 \$24,213,742. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's total net position in the amount of \$2,409,810, (approximately 12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,545,257) is a deficit. This total net position 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 more than currently available resources.

Table I
NET POSITION

	Governmental Activities 2018	Governmental Activities 2017
Current and other assets	\$ 15,190,022	\$ 12,162,914
Capital assets	54,298,275	54,745,922
Total assets	69,488,297	66,908,836
Deferred outflows of resources	3,843,140	3,818,886
Long-term liabilities	44,683,900	36,864,892
Other liabilities	3,807,759	3,309,366
Total liabilities	48,491,659	40,174,258
Deferred inflows of resources	4,761,483	376,570
Net position		
Invested in capital assets net of related debt	24,213,742	23,731,708
Restricted	2,409,810	1,821,911
Unrestricted	(6,545,257)	4,623,275
Total net position	\$ 20,078,295	\$ 30,176,894

Table II
Changes in Net Position

	Governmental Activities 2018	Governmental Activities 2017
Revenues:		
Program Revenues:		
Charges for Services	\$ 729,339	\$ 776,502
Operating grants and contributions	1,602,921	6,312,387
General Revenues		
Maintenance and operations taxes	12,208,220	11,511,802
Debt Service taxes	1,162,509	1,076,543
Grants and Contributions not restricted to specific functions	14,415,849	13,165,562
Investment Earnings	148,405	68,037
Miscellaneous	14,304	58,317
Total Revenue	<u>30,281,547</u>	<u>32,969,150</u>
Expenses:		
Instruction, curriculum and media services	12,924,963	17,426,096
Instructional and school leadership	1,595,463	2,145,286
Student support services	1,682,598	2,134,184
Child nutrition	2,082,530	2,483,545
Co-curricular activities	1,164,027	1,499,035
General Administration	720,716	1,096,986
Plant maintenance, security & data processing	2,501,237	2,933,743
Facilities Acquisition & Construction	-	71,961
Debt services	1,148,740	1,179,746
Other Intergovernmental Charges	221,916	205,652
Total Expenses	<u>24,042,190</u>	<u>31,176,234</u>
Increase in net assets	6,239,357	1,792,916
Net position at 9/1	30,176,894	28,383,978
Prior period adjustment	(16,337,956)	-
Net position at 8/31	<u>\$ 20,078,295</u>	<u>\$ 30,176,894</u>

Governmental activities. The District's total net position increased by \$6,239,357 as a result of current year's operations. The total cost of all governmental activities was \$24,042,190, which was \$7,134,044 (22.9%) lower than the previous year.

The District maintained the total property tax rates at \$1.28 per \$100 of valuation for the current year. The property tax revenue increased by \$782,384 primarily due to an increase in assessed valuation. As shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through District taxes was \$7,131,372. Some of the costs were paid by those who directly benefited from the programs (\$729,339) or by other governments and organizations that subsidized certain

programs with grants and contributions (\$1,602,921) or by other miscellaneous sources and investment earnings (\$162,709) or by State equalization funding (\$14,415,849).

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 \$12,527,587, which is higher than last year's total of \$9,850,621. Unassigned fund balance represents a large portion of total fund balances (\$10,071,489 or 80.4%) and is available for future spending or unanticipated events such as state funding uncertainties, increased student enrollment, wide swings in total property tax values, future salary increases or unexpected lawsuits. The remainder of fund balance (\$2,456,098 or 19.6%) is not available for new spending because it has already been restricted or committed for debt retirement, food service and unspent grants.

The General Fund is the primary operating fund of the District. At August 31, 2018, the General Fund had unassigned fund balances of \$10,071,489 and total fund balances of \$10,825,142. As a measure of the General Fund's liquidity, it is useful to compare both fund balance amounts to total fund expenditures plus transfers out (\$26,324,715). Unassigned fund balance and total fund balance represent 38.2% and 41.1% of total General Fund expenditures plus transfers out, respectively. The unassigned fund balance represents almost five months of annual General Fund expenditures plus transfers out.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2017). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. The third category is amendments for unexpected events.

The District made significant amendments to budgeted expenditures as follows:

- High school improvements \$203,069
- Agriculture Building \$995,320
- High school multipurpose building improvements \$257,427

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had \$54,298,275 (net of depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The District's major capital asset purchases for the year were flooring replacements (\$106,282), parking improvements (\$128,593), agriculture facility (\$716,161), athletic facility improvements (\$165,571), bus and vehicle improvements (\$193,815), security improvements (\$88,860), and track improvements (\$149,985). More detailed information about the District's capital assets is presented in Note III-F to the financial statements. The District had the following capital assets at August 31, 2018 and 2017:

	2018	2017
Land	\$ 2,021,077	\$ 2,021,077
Buildings and improvements, net	50,920,999	51,539,095
Furniture and equipment, net	1,356,199	1,185,750
Total	<u>\$ 54,298,275</u>	<u>\$ 54,745,922</u>

Debt

At year-end, the District had \$31,530,761 in bonds and capital leases outstanding versus \$32,547,548 last year—a decrease of 3.12%. More detailed information about the District's long-term liabilities is presented in Note III-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 2019 budget and tax rates. The primary consideration was setting a tax rate within the limits allowed by the Texas state legislature. The maintenance and operations rate stayed at \$1.17 per \$100 of valuation and the interest and sinking rate was lowered to \$0.10 per \$100 of valuation. With this rate, the District expects to collect approximately \$12,819,150 for maintenance and operations.
- State funding is expected to increase slightly in correlation with enrollment increases and local funding is also expected to increase due to increases in appraisal values.
- The District has discussed and budgeted the following capital activity for fiscal year 2019: 2 police vehicles, 2 Suburbans, 2 maintenance trucks, 2 activity buses and a renovation to the bus barn allowing for offices and additional parking.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Gainesville Independent School District, 800 S. Morris, Gainesville, Texas 76240.

BASIC FINANCIAL STATEMENTS

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 11,584,225
1220 Property Taxes - Delinquent	484,638
1230 Allowance for Uncollectible Taxes	(48,463)
1240 Due from Other Governments	3,092,870
1290 Other Receivables, Net	30,464
1300 Inventories	46,288
Capital Assets:	
1510 Land	2,021,077
1520 Buildings, Net	50,920,999
1530 Furniture and Equipment, Net	1,356,199
1000 Total Assets	69,488,297
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,446,228
1705 Deferred Outflow Related to TRS Pension	2,235,708
1706 Deferred Outflow Related to TRS OPEB	161,204
1700 Total Deferred Outflows of Resources	3,843,140
LIABILITIES	
2110 Accounts Payable	663,134
2140 Interest Payable	103,062
2160 Accrued Wages Payable	1,456,922
2200 Accrued Expenses	45,213
Noncurrent Liabilities:	
2501 Due Within One Year	1,539,428
2502 Due in More Than One Year	29,991,333
2540 Net Pension Liability (District's Share)	5,375,121
2545 Net OPEB Liability (District's Share)	9,317,446
2000 Total Liabilities	48,491,659
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflow Related to TRS Pension	863,977
2606 Deferred Resource Inflow Related to TRS OPEB	3,897,506
2600 Total Deferred Inflows of Resources	4,761,483
NET POSITION	
3200 Net Investment in Capital Assets	24,213,742
3820 Restricted for Federal and State Programs	920,492
3850 Restricted for Debt Service	700,021
3860 Restricted for Capital Projects	707,365
3870 Restricted for Campus Activities	81,932
3900 Unrestricted	(6,545,257)
3000 Total Net Position	\$ 20,078,295

*our districts part
for Retirees & Healthcare*

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, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	3	4	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 11,742,955	\$ 130,209	\$ 99,867	\$ (11,512,879)
12 Instructional Resources and Media Services	364,738	32,894	(82,197)	(414,041)
13 Curriculum and Instructional Staff Development	817,270	-	741,641	(75,629)
21 Instructional Leadership	321,077	-	(69,777)	(390,854)
23 School Leadership	1,274,386	54,823	(241,920)	(1,461,483)
31 Guidance, Counseling and Evaluation Services	524,652	-	(27,048)	(551,700)
32 Social Work Services	134,889	-	(43,456)	(178,345)
33 Health Services	256,267	-	(9,075)	(265,342)
34 Student (Pupil) Transportation	766,790	-	(128,115)	(894,905)
35 Food Services	2,082,530	250,580	1,831,653	(297)
36 Extracurricular Activities	1,164,027	76,497	(89,111)	(1,176,641)
41 General Administration	720,716	1,566	(144,213)	(863,363)
51 Facilities Maintenance and Operations	2,378,390	182,770	(229,881)	(2,425,501)
52 Security and Monitoring Services	17,333	-	(5,447)	(22,780)
53 Data Processing Services	105,514	-	-	(105,514)
72 Debt Service - Interest on Long-Term Debt	1,143,990	-	-	(1,143,990)
73 Debt Service - Bond Issuance Cost and Fees	4,750	-	-	(4,750)
99 Other Intergovernmental Charges	221,916	-	-	(221,916)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 24,042,190	\$ 729,339	\$ 1,602,921	(21,709,930)
Data Control Codes				
	General Revenues:			
	Taxes:			
MT				12,208,220
DT				1,162,509
GC				14,415,849
IE				148,405
MI				14,304
TR				<u>27,949,287</u>
CN				6,239,357
NB				30,176,895
PA				(16,337,957)
NE				<u>\$ 20,078,295</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 10,316,988	\$ 1,267,237	\$ 11,584,225
1220 Property Taxes - Delinquent	418,663	65,975	484,638
1230 Allowance for Uncollectible Taxes	(41,866)	(6,597)	(48,463)
1240 Due from Other Governments	1,733,950	1,358,920	3,092,870
1260 Due from Other Funds	455,636	-	455,636
1290 Other Receivables	6,833	23,631	30,464
1300 Inventories	46,288	-	46,288
1000 Total Assets	<u>\$ 12,936,492</u>	<u>\$ 2,709,166</u>	<u>\$ 15,645,658</u>
LIABILITIES			
2110 Accounts Payable	\$ 444,836	\$ 218,298	\$ 663,134
2140 Interest Payable - Current	-	60,992	60,992
2160 Accrued Wages Payable	1,263,273	193,649	1,456,922
2170 Due to Other Funds	-	455,636	455,636
2200 Accrued Expenditures	26,444	18,769	45,213
2000 Total Liabilities	<u>1,734,553</u>	<u>947,344</u>	<u>2,681,897</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	376,797	59,377	436,174
2600 Total Deferred Inflows of Resources	<u>376,797</u>	<u>59,377</u>	<u>436,174</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	46,288	-	46,288
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	920,492	920,492
3470 Capital Acquisition and Contractual Obligation	707,365	-	707,365
3480 Retirement of Long-Term Debt	-	700,021	700,021
3490 Other Restricted Fund Balance	-	81,932	81,932
3600 Unassigned Fund Balance	10,071,489	-	10,071,489
3000 Total Fund Balances	<u>10,825,142</u>	<u>1,702,445</u>	<u>12,527,587</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,936,492</u>	<u>\$ 2,709,166</u>	<u>\$ 15,645,658</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	12,527,587
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.		88,693,403
2 Accumulated depreciation is not reported in the fund financial statements.		(34,395,128)
3 Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit (OPEB) liability required by GASB 75 in the amount of \$9,317,446, a deferred resource inflow related to TRS OPEB in the amount of \$3,897,506 and a deferred resource outflow related to TRS OPEB in the amount of \$161,204. This amounted to a decrease in the net position in the amount of \$13,053,748.		(13,053,748)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$5,375,121, a deferred resource inflow related to TRS in the amount of \$863,977 and a deferred resource outflow related to TRS in the amount of \$2,235,708. This amounted to a decrease in the net position in the amount of \$4,003,390.		(4,003,390)
5 Bonds, notes and capital leases payable are not reported in the fund financial statements.		(29,478,137)
6 Accumulated accretion on capital appreciation bonds is not reported in the fund financial statements.		(102,176)
7 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expense is reported when due.		(42,070)
8 Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.		436,174
9 Bond premium and discount is not recognized in the fund financial statements.		(1,950,448)
10 Deferred loss on bond refunding is not recognized in the fund financial statements.		1,446,228
19 Net Position of Governmental Activities	\$	20,078,295

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 12,634,653	\$ 1,598,882	\$ 14,233,535
5800 State Program Revenues	15,474,679	68,007	15,542,686
5900 Federal Program Revenues	563,047	4,411,713	4,974,760
5020 Total Revenues	<u>28,672,379</u>	<u>6,078,602</u>	<u>34,750,981</u>
EXPENDITURES:			
Current:			
0011 Instruction	13,077,181	1,866,234	14,943,415
0012 Instructional Resources and Media Services	487,924	16,474	504,398
0013 Curriculum and Instructional Staff Development	338,823	758,524	1,097,347
0021 Instructional Leadership	469,289	-	469,289
0023 School Leadership	1,810,623	86,290	1,896,913
0031 Guidance, Counseling and Evaluation Services	688,902	88,278	777,180
0032 Social Work Services	208,144	-	208,144
0033 Health Services	326,113	41,285	367,398
0034 Student (Pupil) Transportation	1,002,326	-	1,002,326
0035 Food Services	-	2,101,099	2,101,099
0036 Extracurricular Activities	1,103,613	60,769	1,164,382
0041 General Administration	996,261	21,089	1,017,350
0051 Facilities Maintenance and Operations	2,918,100	-	2,918,100
0052 Security and Monitoring Services	15,632	-	15,632
0053 Data Processing Services	105,514	-	105,514
Debt Service:			
0071 Principal on Long-Term Debt	185,293	1,150,000	1,335,293
0072 Interest on Long-Term Debt	57,601	1,133,264	1,190,865
0073 Bond Issuance Cost and Fees	2,750	2,000	4,750
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,181,472	-	1,181,472
Intergovernmental:			
0099 Other Intergovernmental Charges	221,916	-	221,916
6030 Total Expenditures	<u>25,197,477</u>	<u>7,325,306</u>	<u>32,522,783</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,474,902</u>	<u>(1,246,704)</u>	<u>2,228,198</u>
OTHER FINANCING SOURCES (USES):			
7913 Capital Leases	448,768	-	448,768
7915 Transfers In	-	1,132,144	1,132,144
8911 Transfers Out (Use)	(1,127,238)	(4,906)	(1,132,144)
7080 Total Other Financing Sources (Uses)	<u>(678,470)</u>	<u>1,127,238</u>	<u>448,768</u>
1200 Net Change in Fund Balances	2,796,432	(119,466)	2,676,966
0100 Fund Balance - September 1 (Beginning)	<u>8,028,710</u>	<u>1,821,911</u>	<u>9,850,621</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 10,825,142</u>	<u>\$ 1,702,445</u>	<u>\$ 12,527,587</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT EXHIBIT C-4
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, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	2,676,966
Current year capital asset additions are expenditures in the fund financial statements but shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.		1,653,763
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(2,101,410)
Current year principal payments on bonds, notes and capital leases are expenditures in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements.		1,335,293
Proceeds from capital leases are recorded as an increase in the net change in fund balances in the governmental funds but shown as an increase in debt in the government-wide financial statements.		(448,768)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		3,719
Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures. Such revenue are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.		52,164
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in interest expense in the government-wide financial statements.		146,214
Current year amortization of the deferred loss on bond refunding is not recorded in the fund financial statements, but is shown as an increase in interest expense in the government-wide financial statements.		(87,106)
Current year accretion on capital appreciation bonds is not recorded in the fund financial statements, but is shown as an increase in interest expense in the government-wide financial statements.		(15,952)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as a deferred resource of outflows. TRS contributions made after the measurement date of 8/31/2017 caused the change in the ending net position to increase in the amount of \$567,591. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$548,713. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$278,613. The net result is a decrease in the change in net position.		(259,735)
The implementation of GASB 75 required that certain expenditures be de-expended and		3,284,209
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, 2018

EXHIBIT C-4

recorded as a deferred resource of outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$159,745. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$111,524. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by \$3,235,988. The net result is an increase in the change in net position.

Change in Net Position of Governmental Activities

\$ 6,239,357

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 83,782
Total Assets	<u>\$ 83,782</u>
LIABILITIES	
Due to Student Groups	\$ 83,782
Total Liabilities	<u>\$ 83,782</u>

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

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GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Gainesville Independent School District applies Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column include 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 the District's functions. Taxes are always general revenues.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Interfund activities between governmental funds and between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet 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 and 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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the *susceptible-to-accrual* concept; when they are both measurable and available. The District considers these revenues "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until received. Investment earnings are recorded as earned, since they are both measurable and available.

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

Fiduciary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognized revenues in the accounting period in which they are earned and become measurable and expense in the accounting 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. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

D. FUND ACCOUNTING

The District reports the following major governmental 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.

Additionally, the District reports 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 are accounted for in Special Revenue Funds. Sometimes, unused balances must be returned to the grantor at the close of specified project periods.
- **Debt Service Fund** accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds:

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

E. OTHER ACCOUNTING POLICIES

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

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

4. **Compensated absences** – It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. At August 31, 2018, the District had no material liability for accrued personal leave.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

5. **Capital assets** – Capital assets, which include land, buildings, building improvements, and furniture and equipment, are reported in the applicable governmental activities' columns in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Assets	Years
Buildings	39
Building Improvements	39
Infrastructure	50
Vehicles	5-7
Office Equipment	3-10
Computer Equipment	3.5

The District has no restrictions on capital assets.

6. **Fund balances** – According to the District's fund balance policy, fund balance is comprised of the following components:
- **Nonspendable** – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The District had nonspendable fund balance for inventory (\$46,288).
 - **Restricted** – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws of regulations of other governments. The District had restricted fund balances for federal and state programs (\$920,492), capital acquisition contractual obligation (\$707,365), retirement of long-term debt (\$700,021) and campus activity funds (\$81,932).
 - **Committed** – Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees policy or resolution. This includes the budget reserve account. At August 31, 2018 the District had no committed fund balances.
 - **Assigned** – Amounts that are designated by the District for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Trustees. At August 31, 2018, the District had no assigned fund balance.
 - **Unassigned** – All amounts not included in other spendable classifications.

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

Deferred Charge for Refunding	\$ 1,446,228
Deferred Outflow Related to TRS	2,235,708
Deferred Outflow Related to TRS OPEB	161,204
Total Deferred Outflows of Resources	\$ 3,843,140

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

Deferred Inflow Related to TRS	\$ 863,977
Deferred Inflow Related to TRS OPEB	3,897,506
Total Deferred Inflows of Resources	\$ 4,761,483

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

10. **Data control codes** – The data control codes refer to the account code structure prescribed by TEA in the *FASRG*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.
11. **Risk Management** - The District is exposed to various risks of loss related torts, theft, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage.
12. **Implementation of New Standard** – In the current fiscal year the District implemented a new standard. GASB Statement 75. *Accounting and Financial Reporting for Postemployment benefits other than Pensions* (“GASB 75”) establishes accounting and financial reporting standards for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers through plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

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

1. Prior to August 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.
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 were significant budget amendments:

	<u>Amendment</u>
High School Improvements	\$ 203,069
Ag Building	995,320
GHS Multipurpose Improvements	257,427

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	<u>Fund Balance</u>
Appropriated Budget Funds	
National Breakfast and Lunch Program	\$ 405,804
Nonappropriated Budget Funds	
Advanced Placement Incentives	1,352
State Textbook Fund	513,336
Campus Activity Funds	81,932

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There are no excess of expenditures over appropriations in the current year.

C. DEFICIT FUND EQUITY

There are no deficit fund balances in the current year.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

III. DETAILED NOTES ON ALL FUNDS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Concerning Deposits

- *Custodial Credit Risk for Deposits* - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. As of August 31, 2018, the District's bank balances totaled \$12,190,653. This entire amount was either collateralized with securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- *Foreign Currency Risk* - The District does not make investments that have foreign currency risk.

Cash Deposits

At August 31, 2018, the following are the District's cash and cash equivalents (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 Year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over 10 Years</u>	<u>Credit Rating</u>
Cash	\$ 11,668,007	100%	\$ 11,668,007	\$ -	\$ -	n/a

Investments

District Policies and Legal and Contractual Provisions Concerning Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the area of investment practices, management reports and establishment of appropriate policies. Amount other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or insured certificates of deposit issued by state and national banks domiciled in the State of Texas; (3) obligations of state, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and its fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

- Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in obligations of the U.S. Treasury or its agencies and instrumentalities; direct obligations of the state of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the state of Texas, the United states or their respective agencies and instrumentalities; including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States; obligations of states agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and bonds issued, assumed, or guaranteed by the state of Israel as per Texas Statute Government Code 2256.009. Additionally, the District authorized investments in; certificates of deposit; fully collateralized repurchase agreements; certain securities lending programs; certain bankers' acceptances; certain commercial paper; certain no-load market mutual funds; certain no-load mutual funds; guaranteed investment contracts; and public funds investment pools. As of August 31, 2018, the District had no investments. and therefore, was not exposed to credit risk.
- Custodial Credit Risk for Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. As of August 31, 2018, the District had no investments. and therefore, was not exposed to custodial credit risk.
- Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District shall diversify in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity or specific issuers. As of August 31, 2018, the District had no investments, and therefore was not exposed to concentration of custodial credit risk.
- Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District shall use final and weighted-average maturity limits and diversification. The District shall monitor interest rate risk using weighted-average maturity and specific identification. At August 31, 2018, the District had no investments and therefore was not exposed to interest rate risk.
- Foreign Currency Risk - The District does not make investments that have foreign currency and therefore is not exposed to foreign currency risk.

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

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2018 consisted of the following individual fund balances:

<u>Due To General Fund From:</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Funds:		
ESEA I, A Improving Basic Program	\$ 98,590	Grant funds expended, not received at year-end
SSA IDEA, Part B Formula	116,565	Grant funds expended, not received at year-end
SSA IDEA, Part B Preschool	1,736	Grant funds expended, not received at year-end
Career and Technical Basic Grant	14,127	Grant funds expended, not received at year-end
ESEA Title III English Lang. Acquisition	7,478	Grant funds expended, not received at year-end
ESEA Title IV, Pt B Rural & Low Income	9,921	Grant funds expended, not received at year-end
Title IV, Part A, Subpart I	20,251	Grant funds expended, not received at year-end
Teacher & School Leader Incentive	164,046	Grant funds expended, not received at year-end
GISD Education Foundation	<u>22,922</u>	Grant funds expended, not received at year-end
Total Due To General Fund	<u>\$ 455,636</u>	

The interfund transfers for the year ended August 31, 2018 are as follows:

<u>Transfers From General Fund To:</u>	<u>Amount</u>	<u>Reason</u>
Nonmajor Funds:		
Debt Service Fund	\$ 1,127,238	To supplement debt service payments
<u>Transfers From Nonmajor Funds To:</u>		
Nonmajor fund-Summer Food	<u>4,906</u>	To supplement summer food activity
	<u><u>1,132,144</u></u>	

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2018 were as follows:

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

	Governmental Funds		
	General	Nonmajor	Total
	Fund	Funds	Receivables
Property Taxes	\$ 418,663	\$ 65,975	\$ 484,638
Less Allowance for Uncollectible	(41,866)	(6,597)	(48,463)
Other Governments	1,733,950	1,357,779	3,091,729
Other Funds	455,636	1,141	456,777
Other	6,833	23,631	30,464
	<u>\$ 2,573,216</u>	<u>\$ 1,441,929</u>	<u>\$ 4,015,145</u>

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

Property Taxes	<u>\$ 398,663</u>	<u>\$ 50,975</u>	<u>\$ 449,638</u>
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Payables at August 31, 2018 were as follows:

	Governmental Funds		Fiduciary	Statement of Net Position	Total Payables
	General	Nonmajor	Fund		
	Fund	Funds	Agency Fund		
Interest Payable	\$ -	\$ 60,992	\$ -	\$ 42,070	\$ 103,062
Accounts Payable	444,836	218,298	-	-	663,134
Salaries and Benefits	1,289,717	212,418	-	-	1,502,135
Other Funds	-	455,636	-	-	455,636
Other Payable	-	-	83,782	-	83,782
	<u>\$ 1,734,553</u>	<u>\$ 947,344</u>	<u>\$ 83,782</u>	<u>\$ 42,070</u>	<u>\$ 2,807,749</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2018 was as follows:

Governmental Activities	Balance 9/1/2017	Increases	Reclassifications/ Reductions	Balance 8/31/2018
Capital Assets Not Being Depreciated:				
Land	\$ 2,021,077	\$ -	\$ -	\$ 2,021,077
Construction in Progress	-	-	-	-
Capital Assets Being Depreciated:				
Buildings & Improvements	79,650,730	1,108,196	-	80,758,926
Furniture & Equipment	5,367,833	545,567	-	5,913,400
	<u>85,018,563</u>	<u>1,653,763</u>	<u>-</u>	<u>86,672,326</u>
Less Accumulated Depreciation				
Buildings & Improvements	28,111,635	1,726,292	-	29,837,927
Furniture & Equipment	4,182,083	375,118	-	4,557,201
	<u>32,293,718</u>	<u>2,101,410</u>	<u>-</u>	<u>34,395,128</u>
Net Capital Assets				
Being Depreciated	52,724,845	(447,647)	-	52,277,198
Net Capital Assets	<u>\$ 54,745,922</u>	<u>\$ (447,647)</u>	<u>\$ -</u>	<u>\$ 54,298,275</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,487,305
Instructional Resources and Media Services	14,779
School Leadership	15,001
Guidance, Counseling and Evaluation Services	10,478
Health Services	10,109
Student Transportation	172,101
Food Services	121,576
Cocurricular/Extracurricular Activities	185,420
General Administration	3,634
Plant Maintenance	71,855
Security and Monitoring Services	9,152
Total Depreciation Expense	<u>\$ 2,101,410</u>

G. BONDS AND LONG-TERM DEBT

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

A summary of changes in general long-term debt for the year ended August 31, 2018 is as follows:

Issue	Interest Rates	Original Issue Amount	Interest Current Year	Amounts Outstanding 9/1/2017	Issued	Retired/Refunded	Amounts Outstanding 8/31/2018	Due Within One Year
Bonds:								
Series 2008, Refunding	1.69%	\$ 2,610,000	\$ 18,801	\$ 1,260,000	\$ -	\$ (295,000)	\$ 965,000	\$ 305,00
Series 2013, Refunding	3%-3.5%	7,135,000	364,088	6,950,000	-	(10,000)	6,940,000	5,00
Series 2014, Refunding	3%-4%	9,050,000	445,525	8,965,000	-	(5,000)	8,960,000	135,00
Series 2014A, Refunding	3%	3,795,000	102,825	3,480,000	-	(105,000)	3,375,000	105,00
Series 2015, Refunding	2.25-3%	8,695,000	202,025	7,825,000	-	(735,000)	7,090,000	760,00
Total Bonds Payable			1,133,264	28,480,000	-	(1,150,000)	27,330,000	1,310,00
Notes Payable:								
Maintenance Tax Notes 2007	4.5%		23,715	527,000	-	-	527,000	-
Maintenance Tax Notes 2013	.42%-3.2%	1,770,000	25,927	1,090,979	-	(99,000)	991,979	99,00
Total Notes Payable		1,486,979	49,642	1,617,979	-	(99,000)	1,518,979	99,00
Capital Leases Payable:								
FSB Bus Lease	3.39%	448,768	-	-	448,768	-	448,768	41,55
Government Capital	2.98%	439,950	7,959	266,683	-	(86,293)	180,390	88,86
Total Capital Leases			7,959	266,683	448,768	(86,293)	629,158	130,42
Total Bonds, Notes & Capital Leases			\$ 1,190,865	\$ 30,364,662	\$ 448,768	\$ (1,335,293)	\$ 29,478,137	\$ 1,539,42
Unamortized Premium on Bonds			-	2,096,662	-	(146,214)	1,950,448	-
Accreted Interest Payable			-	86,224	15,952	-	102,176	-
Total Long Term Debt A-1			1,190,865	32,547,548	464,720	(1,481,507)	31,530,761	\$ 1,539,42
Net Pension Liability				\$ 5,652,637	\$ 273,437	\$ 550,953	\$ 5,375,121	
Net OPEB Liability				\$ 16,449,481	\$ (7,020,640)	\$ 111,395	\$ 9,317,446	

Accreted Interest Payable

A portion of the 2013 and 2014 refunding bonds consisted of capital appreciation bonds (CABS). These bonds are zero-coupon bonds with deep discounts. The difference between the initial price of the bonds plus the premium on the CABS and the maturity value represents interest. This interest is accreted over the term of the bonds and is recorded as a liability in the District's financial statements. The schedule above summarizes the changes in accreted interest payable during the year ended August 31, 2018.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Defeased Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On August 31, 2018, the following bonds considered defeased are still outstanding:

	Amount Outstanding 8/31/2018
Series 1995	\$ 1,590,000
Series 1997	2,175,000
Series 1998	985,000
Series 2004	3,790,000
Series 2006	23,905,000

H. DEBT SERVICE REQUIREMENTS - BONDS

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

Year Ended	Principal	Interest	Total
August 31,			
2019	1,659,623	1,022,519	2,682,142
2020	1,775,275	972,689	2,747,964
2021	1,728,754	924,703	2,653,457
2022	1,793,754	860,319	2,654,073
2023	1,678,752	808,597	2,487,349
2024-2028	7,511,979	2,784,208	10,296,187
2029-2033	7,895,000	1,588,412	9,483,412
2034-2038	5,435,000	263,101	5,698,101
Total	\$ 29,478,137	\$ 9,224,548	\$ 38,702,685

There are a number of limitations and restrictions contained in the general obligation bond indenture and the tax note indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2018.

I. DUE FROM STATE AGENCIES

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, 2018 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

	General Fund	Nonmajor Funds	Totals
Local Governments	\$ -	\$ -	\$ -
State Entitlements	1,733,950	509,370	2,243,320
Federal Grants	-	849,550	849,550
Totals	\$ 1,733,950	\$ 1,358,920	\$ 3,092,870

J. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

	Governmental Funds		Totals
	General Fund	Nonmajor Funds	
Property Taxes	\$ 12,125,271	\$ 1,156,371	\$ 13,281,642
Penalties and Interest		4,791	4,791
On Property Taxes	32,132	-	32,132
Member Districts			-
Contributions	-	-	-
Tuition & Fees	-	-	-
Investment Income	140,824	7,581	148,405
Rent	1,933	-	1,933
Food Sales	-	250,580	250,580
Co-curricular Student			-
Activities	76,497	-	76,497
Gifts & Contributions	-	-	-
Miscellaneous	257,996	179,559	437,555
	<u>\$ 12,634,653</u>	<u>\$ 1,598,882</u>	<u>\$ 14,233,535</u>

K. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2018 as follows:

Year Ended	Amount
<u>August 31,</u>	
2019	31,774
2020	31,774
2021	28,848
2022	28,848
2023	24,040
Total	<u>\$ 145,284</u>

The lease expense for the year ended August 31, 2018 was \$31,774.

L. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

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

M. PENSION PLAN

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.state/tx.us/about/documents/cafr.pdf#CARF>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. Contribution rates can be found in the TRS 2017 CAFR, Note 12, on page 88.

<u>Contribution Rates</u>	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contribution		\$ 567,591
District's 2018 Member Contributions		\$ 1,320,930
District's 2017 NECE On-Behalf Contributions		\$ 829,024

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (including public schools) are required to pay the employer contribution rate in the following instances:

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

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: Actuarial assumptions can be found in the 2017 TRS CAFR, Note 12, page 90.

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age
	Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. The discount rate can be found in the 2017 TRS CAFR on page 90. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability. The discount rate can be found in the 2017 TRS CAFR, Note 12, page 91.

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
District's proportionate share of net pension liability	<u>\$ 9,061,391</u>	<u>\$ 5,375,121</u>	<u>\$ 2,305,702</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, Gainesville Independent School District reported a liability of \$5,375,121 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Gainesville Independent School District. The amount recognized by Gainesville Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Gainesville Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 5,375,121
State's proportionate share that is associated with the District	<u>8,104,995</u>
Total	<u>\$ 13,480,116</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

At August 31, 2017, the employer's proportion of the collective net pension liability was .0168105889% which was a decrease of .0018519761% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, Gainesville Independent School District recognized pension expense of \$1,445,543 and revenue of \$618,217 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2018, Gainesville Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experiences	\$ 78,640	\$ 289,873
Changes in actuarial assumptions	244,845	140,168
Differences between projected and actual investment earnings	-	391,727
Changes in proportion and differences between the employer's contribution and the proportionate share of contributions	1,344,632	42,209
Total as of August 31, 2017 measurement date	\$ 1,668,117	\$ 863,977
Contributions paid to TRS subsequent to the measurement date	567,591	-
Total as of fiscal year-end	\$ 2,235,708	\$ 863,977

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

Year Ended August 31,	Pension Expense Amount
2019	\$ 114,718
2020	457,826
2021	88,358
2022	(12,889)
2023	89,406
Thereafter	66,722

N. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, chapter 1575.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

Net OPEB Liability	Total
Total OPEB Liability	\$ 43,885,784,621
Less: Plan Fiduciary Net Position	(399,535,986)
Net OPEB Liability	\$ 43,486,248,635
Net Position as a percentage of Total OPEB Liability	0.91%

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care2 and TRS-Care3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAS.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

	TRS-Care Plan Premium Rates		
	Effective Sept. 1, 2016-Dec 31, 2017		
	TRS Care-1 Basic Plan	TRS Care-2 Optional Plan	TRS Care-3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only *or surviving spouse	28	62	82

Contributions. Contribution rates for the TRS-Care plan are established in the state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the State’s contribution rate which is 1.0% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than .075% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private funding Remitted by Employers	1.00%	1.25%
District's 2018 Employer Contribution	\$	159,745
District's 2018 Member Contributions		111,546
District's 2017 NECE On-Behalf Contributions		152,669

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District's proportionate share of the \$212,000,000 received during the District's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actual Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: (Actuarial assumptions can be found in the 2017 TRS CAFR, Note 10, page 82.)

The actuarial valuation of the TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional actuarial methods and assumptions:

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Inflation	2.50%
Discount rate	3.5% - 9.5%
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Payroll growth rate	2.50%
Projected salary increases	3.5%-9.5%
Healthcare tend rates	4.5%-12.00%
Election rates	Normal retirement : 70% participation prior to age 65 and 75% participation after age 65
Ad-hoc post employment benefit changes	None

Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44% in the discount rate since the previous year. The discount rate can be found in the 2017 TRS CAFR on page 83. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.24%)
District's proportionate share of the net OPEB liability	<u>\$ 10,996,900</u>	<u>\$ 9,317,446</u>	<u>\$ 7,967,544</u>

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plans using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or on-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	<u>\$ 7,757,705</u>	<u>\$ 9,317,446</u>	<u>\$ 11,364,023</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of \$9,317,446 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for the State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District as follows:

District's proportionate share of the collective net OPEB liability	\$ 9,317,446	
State's proportionate share that is associated with the District	12,769,718	
Total	\$ 22,087,164	

The Net OPEB Liability was measured as of August 31, 2017 and the total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0214261898% . Since this is the first year of implementation, the district does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

Changes Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health care plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumptions better reflect the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There was no special adjustment to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurement due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

There was no change of benefit terms that affected measurement of the total OPEB liability during the measurement period.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

For the year ended August 31, 2018, the District recognized OPEB expense of (\$7,397,551) and revenue of (\$4,273,087) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experiences	\$ -	\$ 194,509
Changes in actuarial assumptions	-	3,702,997
Differences between projected and actual investment earnings	1,415	-
Changes in proportion and differences between the employer's contribution and the proportionate share of contributions	44	-
Total as of August 31, 2017 measurement date	\$ 1,459	\$ 3,897,506
Contributions paid to TRS subsequent to the measurement date	159,745	-
Total as of fiscal year-end	\$ 161,204	\$ 3,897,506

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2019	\$ (514,088)
2020	(514,088)
2021	(514,088)
2022	(514,088)
2023	(514,441)
Thereafter	(1,325,254)

O. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

Plan Description The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 413. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

P. UNAVAILABLE/UNEARNED REVENUE

Unavailable revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 376,797	\$ 59,377	\$ 436,174

Q. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District had the following construction commitments at August 31, 2018:

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

	Total Committed	Expended as of 8/31/2018	Balance
Agriculture facility	\$ 882,553	559,770	\$ 322,783

R. RELATED ORGANIZATIONS

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

S. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS-STATEMENT OF ACTIVITIES

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity on the NECE must be recorded at the government-side level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-Care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities (Exhibit B-1). According to guidance provided directly from GASB, this is correct reporting.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants & Contributions Statement of Activities	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding On- Behalf accruals)
11 Instruction	\$ 99,867	\$ (2,604,199)	\$ 2,704,066
12 Instructional Resources and Media Services	(82,197)	(102,521)	20,324
13 Curriculum Development and Instructional Staff Development	741,641	(21,057)	762,698
21 Instructional Leadership	(69,777)	(87,029)	17,252
23 School Leadership	(241,920)	(389,210)	147,290
31 Guidance, Counseling and Evaluation Services	(27,048)	(143,840)	116,792
32 Social Work Services	(43,456)	(54,201)	10,745
33 Health Services	(9,075)	(62,813)	53,738
34 Student (Pupil) Transportation	(128,115)	(159,792)	31,677
35 Food Services	1,831,653	(63,897)	1,895,550
36 Extracurricular Activities	(89,111)	(111,144)	22,033
41 General Administration	(144,213)	(179,870)	35,657
51 Facilities Maintenance and Operations	(229,881)	(286,720)	56,839
52 Security and Monitoring Services	(5,447)	(6,794)	1,347
53 Data Processing Expense	-	-	-
61 Community Services	-	-	-
	\$ 1,602,921	\$ (4,273,087)	\$ 5,876,008

T. PRIOR PERIOD ADJUSTMENT

During the fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. With GASB 75, the District must assume their

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled (\$16,337,957) which resulted in a restated beginning net position balance of \$13,838,937.

U. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through January 11, 2019, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

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	\$ 11,651,006	\$ 11,841,006	\$ 12,634,653	\$ 793,647
5800	State Program Revenues	13,778,762	13,778,762	15,474,679	1,695,917
5900	Federal Program Revenues	95,000	540,000	563,047	23,047
5020	Total Revenues	25,524,768	26,159,768	28,672,379	2,512,611
EXPENDITURES:					
Current:					
0011	Instruction	13,168,405	13,147,706	13,077,181	70,525
0012	Instructional Resources and Media Services	428,422	488,422	487,924	498
0013	Curriculum and Instructional Staff Development	312,948	417,402	338,823	78,579
0021	Instructional Leadership	491,030	511,030	469,289	41,741
0023	School Leadership	1,757,976	1,837,976	1,810,623	27,353
0031	Guidance, Counseling and Evaluation Services	719,828	719,828	688,902	30,926
0032	Social Work Services	170,370	230,370	208,144	22,226
0033	Health Services	308,416	343,416	326,113	17,303
0034	Student (Pupil) Transportation	787,241	1,237,168	1,002,326	234,842
0036	Extracurricular Activities	1,138,318	1,203,541	1,103,613	99,928
0041	General Administration	1,002,434	1,052,434	996,261	56,173
0051	Facilities Maintenance and Operations	3,122,691	3,308,065	2,918,100	389,965
0052	Security and Monitoring Services	37,250	37,250	15,632	21,618
0053	Data Processing Services	107,260	107,260	105,514	1,746
Debt Service:					
0071	Principal on Long-Term Debt	193,255	193,215	185,293	7,922
0072	Interest on Long-Term Debt	55,262	57,602	57,601	1
0073	Bond Issuance Cost and Fees	2,752	2,752	2,750	2
Capital Outlay:					
0081	Facilities Acquisition and Construction	326,562	1,815,562	1,181,472	634,090
Intergovernmental:					
0099	Other Intergovernmental Charges	234,442	234,442	221,916	12,526
6030	Total Expenditures	24,364,862	26,945,441	25,197,477	1,747,964
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,159,906	(785,673)	3,474,902	4,260,575
OTHER FINANCING SOURCES (USES):					
7913	Capital Leases	-	-	448,768	448,768
8911	Transfers Out (Use)	(1,159,906)	(1,164,227)	(1,127,238)	36,989
7080	Total Other Financing Sources (Uses)	(1,159,906)	(1,164,227)	(678,470)	485,757
1200	Net Change in Fund Balances	-	(1,949,900)	2,796,432	4,746,332
0100	Fund Balance - September 1 (Beginning)	8,028,710	8,028,710	8,028,710	-
3000	Fund Balance - August 31 (Ending)	\$ 8,028,710	\$ 6,078,810	\$ 10,825,142	\$ 4,746,332

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.016810589%	0.0149586%	0.0158252%	0.0105639%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,375,121	\$ 5,652,637	\$ 5,593,998	\$ 2,821,763
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	8,104,995	9,342,952	8,887,949	7,691,057
Total	<u>\$ 13,480,116</u>	<u>\$ 14,995,589</u>	<u>\$ 14,481,947</u>	<u>\$ 10,512,820</u>
District's Covered Payroll	\$ 17,091,699	\$ 15,390,975	\$ 14,922,328	\$ 14,520,179
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	31.45%	36.73%	37.49%	19.43%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 567,591	\$ 548,132	\$ 475,273	\$ 468,591
Contribution in Relation to the Contractually Required Contribution	567,591	548,132	475,273	468,591
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 17,407,205	\$ 17,091,699	\$ 15,390,975	\$ 14,922,328
Contributions as a Percentage of Covered Payroll	3.26%	3.21%	3.09%	3.14%

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

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.20142619%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 9,317,446
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	12,769,718
Total	<u>\$ 22,087,164</u>
District's Covered Payroll	\$ 17,091,699
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	54.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 159,745
Contribution in Relation to the Contractually Required Contribution	159,745
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 17,407,205
Contributions as a Percentage of Covered Payroll	0.01%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

Changes in Assumptions.

The following were changes to the actuarial assumptions or other inputs that affected measurement of Total OPEB liability since the prior measurement period:

- Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.5%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25-basis point addition to the long-term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

COMBINING STATEMENTS

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	205	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	Head Start			
ASSETS				
1110 Cash and Cash Equivalents	\$ 3,885	\$ -	\$ -	\$ -
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	26,312	181,245	178,930	3,055
1290 Other Receivables	-	-	-	-
1000 Total Assets	<u>\$ 30,197</u>	<u>\$ 181,245</u>	<u>\$ 178,930</u>	<u>\$ 3,055</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ 6,755	\$ -
2140 Interest Payable - Current	-	-	-	-
2160 Accrued Wages Payable	27,421	75,134	50,505	1,199
2170 Due to Other Funds	-	98,590	116,565	1,736
2200 Accrued Expenditures	2,776	7,521	5,105	120
2000 Total Liabilities	<u>30,197</u>	<u>181,245</u>	<u>178,930</u>	<u>3,055</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3480 Retirement of Long-Term Debt	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 30,197</u>	<u>\$ 181,245</u>	<u>\$ 178,930</u>	<u>\$ 3,055</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	287 Title IV, Part A, Subpart 1	288 Summer School LEP
\$ 395,001	\$ 20,798	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
98,330	-	14,127	-	14,231	9,921	20,251	-
-	-	-	-	-	-	-	-
<u>\$ 493,331</u>	<u>\$ 20,798</u>	<u>\$ 14,127</u>	<u>\$ -</u>	<u>\$ 14,231</u>	<u>\$ 9,921</u>	<u>\$ 20,251</u>	<u>\$ -</u>
\$ 78,394	\$ 20,798	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
8,960	-	-	-	6,135	-	-	-
-	-	14,127	-	7,478	9,921	20,251	-
173	-	-	-	618	-	-	-
<u>87,527</u>	<u>20,798</u>	<u>14,127</u>	<u>-</u>	<u>14,231</u>	<u>9,921</u>	<u>20,251</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
405,804	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>405,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 493,331</u>	<u>\$ 20,798</u>	<u>\$ 14,127</u>	<u>\$ -</u>	<u>\$ 14,231</u>	<u>\$ 9,921</u>	<u>\$ 20,251</u>	<u>\$ -</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	289 Teacher & School Leader Incentive	410 State Textbook Fund	429 Accelerated Reading	461 Campus Activity Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 5,107	\$ 1,352	\$ 81,932
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-	-
1240	Due from Other Governments	303,148	508,229	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 303,148</u>	<u>\$ 513,336</u>	<u>\$ 1,352</u>	<u>\$ 81,932</u>
LIABILITIES					
2110	Accounts Payable	\$ 112,351	\$ -	\$ -	\$ -
2140	Interest Payable - Current	-	-	-	-
2160	Accrued Wages Payable	24,295	-	-	-
2170	Due to Other Funds	164,046	-	-	-
2200	Accrued Expenditures	2,456	-	-	-
2000	Total Liabilities	<u>303,148</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	513,336	1,352	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	81,932
3000	Total Fund Balances	<u>-</u>	<u>513,336</u>	<u>1,352</u>	<u>81,932</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 303,148</u>	<u>\$ 513,336</u>	<u>\$ 1,352</u>	<u>\$ 81,932</u>

485	490	498	Total	599	Total
Mobil Food/ Library Truck	TWC JET Grant	GISD Education Foundation	Nonmajor Special Revenue Funds	Debt Service Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 508,075	\$ 759,162	\$ 1,267,237
-	-	-	-	65,975	65,975
-	-	-	-	(6,597)	(6,597)
-	-	-	1,357,779	1,141	1,358,920
-	-	22,922	22,922	709	23,631
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,922</u>	<u>\$ 1,888,776</u>	<u>\$ 820,390</u>	<u>\$ 2,709,166</u>
\$ -	\$ -	\$ -	\$ 218,298	\$ -	\$ 218,298
-	-	-	-	60,992	60,992
-	-	-	193,649	-	193,649
-	-	22,922	455,636	-	455,636
-	-	-	18,769	-	18,769
-	-	22,922	886,352	60,992	947,344
-	-	-	-	59,377	59,377
-	-	-	-	59,377	59,377
-	-	-	920,492	-	920,492
-	-	-	-	700,021	700,021
-	-	-	81,932	-	81,932
-	-	-	1,002,424	700,021	1,702,445
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,922</u>	<u>\$ 1,888,776</u>	<u>\$ 820,390</u>	<u>\$ 2,709,166</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	205	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	Head Start			
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	392,234	885,618	628,990	13,796
5020 Total Revenues	392,234	885,618	628,990	13,796
EXPENDITURES:				
Current:				
0011 Instruction	280,816	475,363	563,465	13,796
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	410,255	4,767	-
0023 School Leadership	70,133	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	60,758	-
0033 Health Services	41,285	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	392,234	885,618	628,990	13,796
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)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	287 Title IV, Part A, Subpart 1	288 Summer School LEP
\$ 255,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10,590	-	-	-	-	-	-	-
1,848,494	23,799	39,362	131,921	61,610	57,741	20,251	4,749
2,114,196	23,799	39,362	131,921	61,610	57,741	20,251	4,749
-	-	16,591	200	61,610	57,741	20,251	-
-	-	-	-	-	-	-	-
-	-	-	131,721	-	-	-	-
-	-	-	-	-	-	-	-
-	-	22,771	-	-	-	-	4,749
-	-	-	-	-	-	-	-
2,072,394	28,705	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,072,394	28,705	39,362	131,921	61,610	57,741	20,251	4,749
41,802	(4,906)	-	-	-	-	-	-
-	4,906	-	-	-	-	-	-
(4,906)	-	-	-	-	-	-	-
(4,906)	4,906	-	-	-	-	-	-
36,896	-	-	-	-	-	-	-
368,908	-	-	-	-	-	-	-
\$ 405,804	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	289 Teacher & School Leader Incentive	410 State Textbook Fund	429 Accelerated Reading	461 Campus Activity Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 156,637
5800 State Program Revenues	-	17,142	3,500	-
5900 Federal Program Revenues	303,148	-	-	-
5020 Total Revenues	303,148	17,142	3,500	156,637
EXPENDITURES:				
Current:				
0011 Instruction	91,367	175,237	8,132	58,743
0012 Instructional Resources and Media Services	-	-	-	16,474
0013 Curriculum and Instructional Staff Development	211,781	-	-	-
0023 School Leadership	-	-	-	16,157
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	60,769
0041 General Administration	-	-	-	21,089
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	303,148	175,237	8,132	173,232
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(158,095)	(4,632)	(16,595)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	(158,095)	(4,632)	(16,595)
0100 Fund Balance - September 1 (Beginning)	-	671,431	5,984	98,527
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 513,336	\$ 1,352	\$ 81,932

485	490	498	Total	599	Total
Mobil Food/ Library Truck	TWC JET Grant	GISD Education Foundation	Nonmajor Special Revenue Funds	Debt Service Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ 22,922	\$ 434,671	\$ 1,164,211	\$ 1,598,882
-	-	-	31,232	36,775	68,007
-	-	-	4,411,713	-	4,411,713
-	-	22,922	4,877,616	1,200,986	6,078,602
20,000	-	22,922	1,866,234	-	1,866,234
-	-	-	16,474	-	16,474
-	-	-	758,524	-	758,524
-	-	-	86,290	-	86,290
-	-	-	88,278	-	88,278
-	-	-	41,285	-	41,285
-	-	-	2,101,099	-	2,101,099
-	-	-	60,769	-	60,769
-	-	-	21,089	-	21,089
-	-	-	-	1,150,000	1,150,000
-	-	-	-	1,133,264	1,133,264
-	-	-	-	2,000	2,000
20,000	-	22,922	5,040,042	2,285,264	7,325,306
(20,000)	-	-	(162,426)	(1,084,278)	(1,246,704)
-	-	-	4,906	1,127,238	1,132,144
-	-	-	(4,906)	-	(4,906)
-	-	-	-	1,127,238	1,127,238
(20,000)	-	-	(162,426)	42,960	(119,466)
20,000	-	-	1,164,850	657,061	1,821,911
\$ -	\$ -	\$ -	\$ 1,002,424	\$ 700,021	\$ 1,702,445

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REQUIRED TEA SCHEDULES

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ 10,202,377,255
2010	1.040000	0.235320	930,054,794
2011	1.040000	0.235320	881,992,781
2012	1.040000	0.294324	877,347,353
2013	1.040000	0.268780	935,160,563
2014	1.040000	0.250000	987,309,121
2015	1.040000	0.240000	1,004,544,625
2016	1.040000	0.240000	985,624,273
2017	1.170000	0.110000	991,599,501
2018 (School year under audit)	1.170000	0.110000	1,022,240,526
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 49,542	\$ -	\$ 2,267	\$ 455	\$ (9,438)	\$ 37,382
20,158	-	445	101	(277)	19,335
15,511	-	942	213	(595)	13,761
37,448	-	1,689	478	(712)	34,569
28,141	-	2,383	614	5,994	31,138
29,225	-	6,669	1,603	10,604	31,557
33,772	-	10,401	2,401	9,857	30,827
61,305	-	96,923	22,367	99,087	41,102
151,576	-	161,258	15,162	86,791	61,947
-	13,084,679	11,769,537	1,107,413	(24,709)	183,020
<u>\$ 426,678</u>	<u>\$ 13,084,679</u>	<u>\$ 12,052,514</u>	<u>\$ 1,150,807</u>	<u>\$ 176,602</u>	<u>\$ 484,638</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, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 295,450	\$ 295,450	\$ 255,112	\$ (40,338)
5800	State Program Revenues	40,042	40,042	10,590	(29,452)
5900	Federal Program Revenues	2,046,445	2,008,000	1,848,494	(159,506)
5020	Total Revenues	2,381,937	2,343,492	2,114,196	(229,296)
EXPENDITURES:					
0035	Food Services	2,381,937	2,381,937	2,072,394	309,543
6030	Total Expenditures	2,381,937	2,381,937	2,072,394	309,543
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(38,445)	41,802	80,247
OTHER FINANCING SOURCES (USES):					
7961	Transfers Out (Use)	-	-	(4,906)	(4,906)
1200	Net Change in Fund Balances	-	(38,445)	36,896	75,341
0100	Fund Balance - September 1 (Beginning)	368,908	368,908	368,908	-
3000	Fund Balance - August 31 (Ending)	\$ 368,908	\$ 330,463	\$ 405,804	\$ 75,341

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, 2018

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	\$ 1,095,559	\$ 1,095,559	\$ 1,164,211	\$ 68,652
5800	State Program Revenues	30,000	30,000	36,775	6,775
5020	Total Revenues	1,125,559	1,125,559	1,200,986	75,427
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	1,150,000	1,150,000	1,150,000	-
0072	Interest on Long-Term Debt	1,133,264	1,133,264	1,133,264	-
0073	Bond Issuance Cost and Fees	2,201	2,201	2,000	201
6030	Total Expenditures	2,285,465	2,285,465	2,285,264	201
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,159,906)	(1,159,906)	(1,084,278)	75,628
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	1,159,906	1,159,906	1,127,238	(32,668)
1200	Net Change in Fund Balances	-	-	42,960	42,960
0100	Fund Balance - September 1 (Beginning)	657,061	657,061	657,061	-
3000	Fund Balance - August 31 (Ending)	\$ 657,061	\$ 657,061	\$ 700,021	\$ 42,960

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FEDERAL AWARDS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gainesville Independent School District as of and for the year ended August 31, 2018 and the related notes to the financial statements, which collectively comprise Gainesville Independent School District's basic financial statements, and have issued our report thereon dated January 11, 2019.

Internal Control over Financial Reporting

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

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

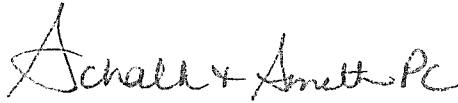
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Schalk & Smith PC". The signature is written in dark ink and is positioned above the printed name of the firm.

Schalk & Smith, P.C.
January 11, 2019

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

To the Board of Trustees
Gainesville Independent School District

Report on Compliance for Each Major Federal Program

We have audited Gainesville Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gainesville Independent School District's major federal programs for the year ended August 31, 2018. Gainesville Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control over Compliance

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

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


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

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

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

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

We have audited the financial statements of Gainesville Independent School District as of and for the year ended August 31, 2018, and have issued our report thereon dated January 11, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.


Schalk & Smith, P.C.
January 11, 2019

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018**

Section I Summary of the Auditor's Results

- The type of report issued on the financial statements of the Gainesville Independent School District was an unmodified opinion.
- With respect to internal control over financial reporting we identified no material weaknesses and we reported no significant deficiencies.
- We noted no noncompliance material to the financial statements.
- With respect to internal control over major federal programs we identified no material weaknesses and we reported no significant deficiencies.
- The type of report we issued on compliance for major programs was an unmodified opinion.
- We disclosed no audit findings which the auditor is required to report in accordance with 2 CFR 200.516(a).
- We identified the following major programs: Child Nutrition Cluster CFDA #10.555, 10.559 & 10.553
- The dollar threshold used to distinguish between Type A and Type B programs was \$750,000
- The auditee does qualify as a low-risk auditee.

Section II Financial Statement Findings- NONE

Section III Federal Award Findings & Questioned Costs NONE

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018**

N/A

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018**

(Prepared by the District's Administration)

N/A

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2018

(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	18610101049901	\$ 885,618
*IDEA - Part B, Formula	84.027	186600010499016600	628,990
*IDEA - Part B, Preschool	84.173	186610010499016610	13,796
Total Special Education Cluster (IDEA)			642,786
Career and Technical - Basic Grant	84.048	18420006049901	35,635
Career and Technical - Basic Grant	84.048	19420006049901	3,727
Total CFDA Number 84.048			39,362
ESEA VI, Pt B Rural & Los Income	84.358B	18696001049901	57,741
Title III, Part A - English Language Acquisition	84.365A	18671001049901	61,610
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18694501049901	131,921
Title IV, Part A Subpart I	84.410	18680101049901	20,251
Summer School LEP	84.369A	Unknown	4,749
Teacher Incentive Grant	84.374A	Unknown	303,148
Total Passed Through State Department of Education			2,147,186
TOTAL U.S. DEPARTMENT OF EDUCATION			2,147,186
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	Unknown	10,588
Head Start	93.600	Unknown	381,646
Total CFDA Number 93.600			392,234
Total Passed Through State Department of Education			392,234
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			392,234
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401801	575,753
*National School Lunch Program - Cash Assistance	10.555	71301801	1,156,374
*National School Lunch Prog. - Non-Cash Assistance	10.555	Unknown	116,367
Total CFDA Number 10.555			1,272,741
*Summer Feeding Program - Cash Assistance	10.559	Unknown	23,799
Total Child Nutrition Cluster			1,872,293
Total Passed Through the State Department of Agriculture			1,872,293
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,872,293
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,411,713

*Clustered Programs

*Food Service
 was ~~not~~ audited
 this year for over
 \$750,000*

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018**

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

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

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

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Compliance Supplement, Part 3, Section H, Period of Availability of Federal Funds.
- Reconciliation of Federal Revenues in Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

Federal Awards per Schedule of Expenditures of Federal Awards	\$	4,411,713
Medicaid Reimbursements (SHARS)		563,047
Total Federal Program Revenues-Exhibit C-3	\$	<u><u>4,974,760</u></u>

SCHOOLS FIRST QUESTIONNAIRE

Gainesville Independent School District

Fiscal Year 2018

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	102176
SF11	Net Pension Assets (1920) at fiscal year-end.	
SF12	Net Pension Liabilities (2540) at fiscal year-end.	5375121
SF13	Pension Expense (6147) at fiscal year-end.	