

**GAINESVILLE INDEPENDENT
SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2009**



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ANNUAL FINANCIAL REPORT
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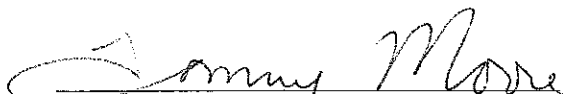
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CERTIFICATE OF BOARD

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

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved _____ disapproved for the year ended August 31, 2009 at a meeting of the Board of Trustees of such school district on the 11th day of January, 2010.

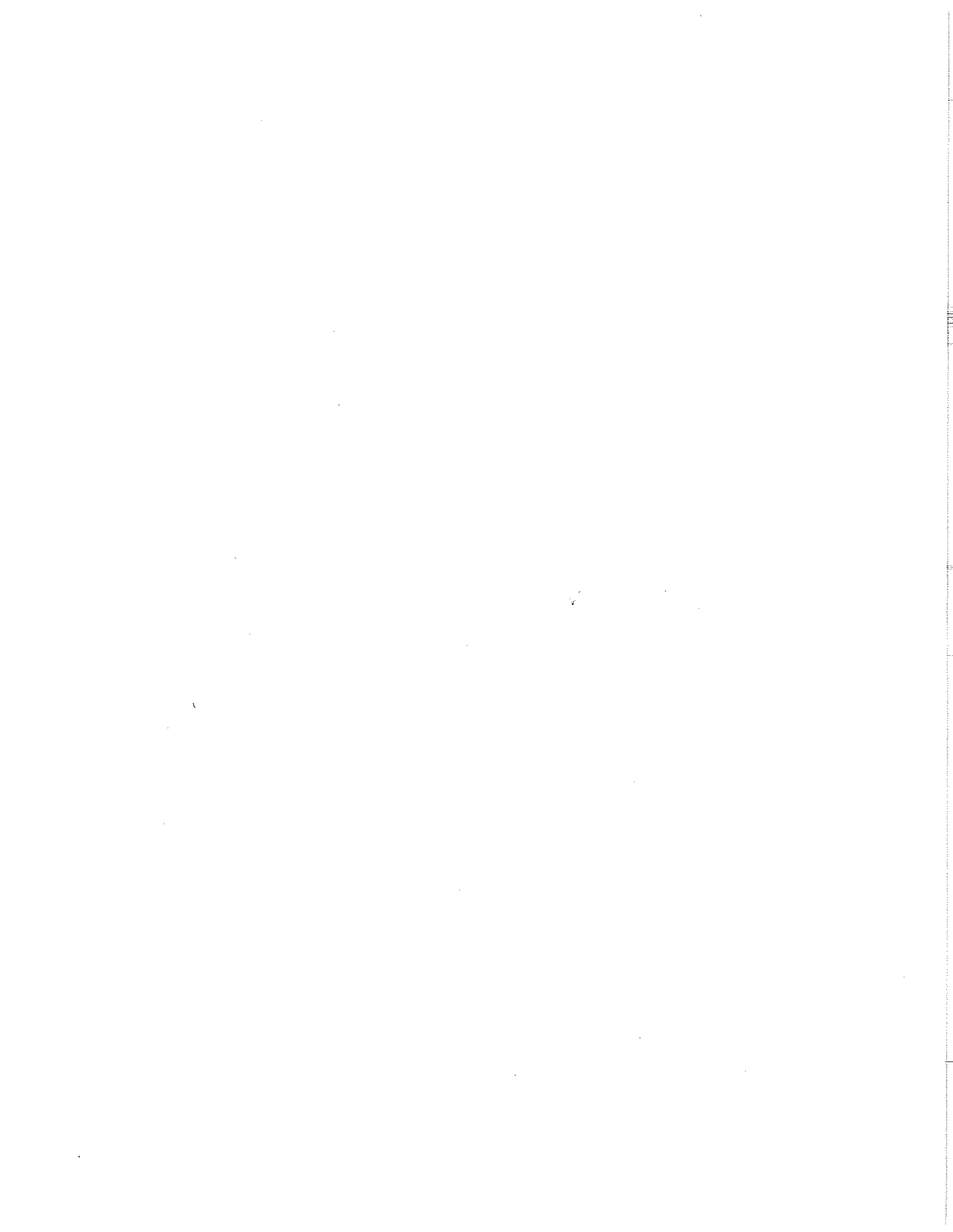


Signature of Board Secretary



Signature of Board President

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





UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION INCLUDING THE
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Gainesville Independent School District
800 South Morris Street
Gainesville, Texas 76240

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gainesville Independent School District (the District) as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the District's Administration. Our responsibility is to express opinions on these financial statements based on our audit.

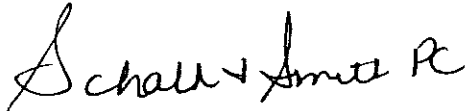
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform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

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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Gainesville Independent School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, is not a required part of the basic financial statements. The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is identified in the table of contents as Exhibits J-1 through J-5. Except for Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked **UNAUDITED** and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Schalk & Smith PC
December 21, 2009

GAINESVILLE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Gainesville Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2009. Please read it in conjunction with the independent auditors' report on page 2 & 3 and the District's Basic Financial Statements that begin on page 10.

FINANCIAL HIGHLIGHTS

- The District's total combined assets were \$63,076,541 at August 31, 2009.
- During the year, the District's expenses were \$456,817 more than the \$27 million generated in taxes and other revenues for governmental activities.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$11,778,378.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,033,553 or 20.6 percent of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Fund financial statements. The fund financial statements begin on page 12 and provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds from the U. S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds-governmental and proprietary-use different accounting approaches.

- **Governmental funds**-Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the difference between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- **Proprietary funds**-The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. As mentioned above in the governmental-wide definition, the District has no business-type activities or enterprise funds.

The District's fiduciary responsibilities. The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Assets on page 17. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the financial statements. The notes to financial statements (starting on page 18) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20,363,184 that represented a decrease of \$385,757 under the prior year net assets of \$20,748,941. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$5,163,536 at August 31, 2009.

Table I
Gainesville Independent School District

NET ASSETS

	Governmental Activities 2009	Governmental Activities 2008
Current and other assets	\$ 11,706,791	\$ 17,722,257
Capital assets	51,367,750	\$ 48,323,238
Total assets	<u>63,074,541</u>	<u>66,045,495</u>
Long-term liabilities	39,285,810	40,454,436
Other liabilities	3,425,547	4,842,118
Total liabilities	<u>42,711,357</u>	<u>45,296,554</u>
Net assets:		
Invested in capital assets net of related debt	13,389,773	16,560,706
Restricted	1,809,875	531,172
Unrestricted	5,163,536	3,657,063
Total net assets	<u>\$ 20,363,184</u>	<u>\$ 20,748,941</u>

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 \$13,389,773. 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 assets (approximately 8.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$5,163,536) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term commitments* that are less than currently available resources.

Table II
Gainesville Independent School District

CHANGES IN NET ASSETS

	Governmental Activities 2009	Governmental Activities 2008
Revenues:		
Program revenues:		
Charges for services	\$ 485,208	\$ 513,907
Operating grants and contributions	5,693,163	5,299,276
General revenues		
Maintenance and operations taxes	9,180,610	8,184,951
Debt service taxes	2,077,076	1,920,876
State aid - formula grants	-	-
Grants and contributions not restricted to specific functions	9,501,746	10,929,253
Investment earnings	131,844	919,494
Miscellaneous	650	206,000
Total revenue	27,070,297	27,973,757
Expenses:		
Instruction, curriculum and media services	15,503,971	15,928,620
Instructional and school leadership	1,854,982	1,641,593
Student support services	1,721,326	1,760,166
Child nutrition	1,809,965	1,477,894
Co-curricular activities	906,468	861,251
General administration	914,916	1,020,890
Plant maintenance, security & data processing	2,575,231	2,710,738
Community services	-	452
Debt services	1,869,048	2,177,525
Facilities Acquisition and Construction	191,396	10,574
Other Intergovernmental Charges	179,811	-
Total expenses	27,527,114	27,589,703
Increase (Decrease) in net assets	(456,817)	384,054
Prior period adjustment	71,060	
Net assets at 9/1	20,748,941	20,364,887
Net assets at 8/31	\$ 20,363,184	\$ 20,748,941

Governmental Activities. The District's total net assets decreased by \$385,757. The total cost of all programs and services was \$27,527,114. The amount that our taxpayers paid for these activities through property taxes was \$11,257,686 or 40.9%. The majority of the remainder was financed through charges for services (\$485,208), other governmental grants (\$5,693,163), or by State equalization funding (\$9,501,746) and other income items (\$132,494).

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

The District reduced the total property tax rate to \$1.27532. With the decrease in tax rate and increases in the total assessed valuation, total tax revenues increased \$1,151,859.

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 \$7,312,214. Included in this year's total change in fund balance is an increase of \$74,626 in the District's General Fund and a decrease in the Capital Projects Fund of \$4,364,136.

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

The District's General Fund balance of \$5,558,701 reported on page 12 differs from the General Fund's budgetary fund balance of \$5,158,850 reported in the budgetary comparison schedule on page 16. This is principally due to a reduction in the actual amount of the instructional expenditures due to stringent cost controls.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets.

At the end of 2009, the District had \$51,367,750 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. More detailed information about the District's capital assets is presented in Note IV-F to the financial statements.

Debt.

At year-end, the District had a balance of \$195,981 in notes payable and a balance of \$37,340,000 in bonds for a total of \$37,535,981 versus notes payable of \$357,385 and bonds payable of \$38,200,000 for a balance of \$38,557,385 last year for an decrease in total debt of \$1,021,404. More detailed information about the District's long-term liabilities is presented in Note IV-G to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected officials considered many factors when setting the fiscal year 2009-10 budget and tax rates. The District adopted the Maintenance & Operation (M&O) tax rate of \$1.04 and an Interest & Sinking (I&S) tax rate of \$.23532 for a total District tax rate of \$1.27532 for 2009-10. This is the same tax rate that was in effect during the 2008-09 fiscal year. Despite the declining enrollment, the administration was able to maintain a balanced budget through increased property valuations and budget cuts. The district does not expect to decrease the fund balance during the 2009-2010 fiscal year. On July 20, 2009, the Board of Trustees approved a motion to reserve \$1,500,000 of the General Fund balance to finance the completion of the new football stadium. On October 28, 2009, the District received \$418,000 in a partial settlement of a lawsuit related to defects and deficiencies related to the Robert E. Lee Intermediate School in the Gainesville Independent School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2009

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 9,548,693
1220 Property Taxes Receivable (Delinquent)	693,304
1230 Allowance for Uncollectible Taxes	(69,330)
1240 Due from Other Governments	981,896
1290 Other Receivables, net	74,940
1300 Inventories	54,829
1420 Capitalized Bond and Other Debt Issuance Costs	422,459
Capital Assets:	
1510 Land	2,021,069
1520 Buildings, Net	48,474,245
1530 Furniture and Equipment, Net	872,436
1000 Total Assets	63,074,541
LIABILITIES	
2110 Accounts Payable	56,661
2140 Interest Payable	138,392
2160 Accrued Wages Payable	637,950
2180 Due to Other Governments	2,574,912
2200 Accrued Expenses	17,632
Noncurrent Liabilities	
2501 Due Within One Year	741,017
2502 Due in More Than One Year	38,544,793
2000 Total Liabilities	42,711,357
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	13,389,773
3820 Restricted for Federal and State Programs	68,831
3850 Restricted for Debt Service	241,044
3560 Restricted for Capital Projects	1,500,000
3900 Unrestricted Net Assets	5,163,536
3000 Total Net Assets	\$ 20,363,184

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, 2009

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 14,700,362	\$ 50,166	\$ 3,566,012	\$ (11,084,184)
12 Instructional Resources and Media Services	515,782	-	31,069	(484,713)
13 Curriculum and Instructional Staff Development	287,827	-	128,155	(159,672)
21 Instructional Leadership	321,604	-	24,677	(296,927)
23 School Leadership	1,533,378	-	78,403	(1,454,975)
31 Guidance, Counseling and Evaluation Services	649,399	-	184,519	(464,880)
32 Social Work Services	149,733	-	9,641	(140,092)
33 Health Services	252,291	-	17,331	(234,960)
34 Student (Pupil) Transportation	669,903	-	28,037	(641,866)
35 Food Services	1,809,965	375,709	1,402,934	(31,322)
36 Extracurricular Activities	906,468	58,083	23,679	(824,706)
41 General Administration	914,916	-	34,413	(880,503)
51 Plant Maintenance and Operations	2,485,057	1,250	62,374	(2,421,433)
52 Security and Monitoring Services	5,593	-	-	(5,593)
53 Data Processing Services	84,581	-	1,956	(82,625)
72 Debt Service - Interest on Long Term Debt	1,803,579	-	-	(1,803,579)
73 Debt Service - Bond Issuance Cost and Fees	65,469	-	-	(65,469)
81 Facilities Acquisition and Construction	191,396	-	99,962	(91,434)
99 Other Intergovernmental Charges	179,811	-	-	(179,811)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 27,527,114	\$ 485,208	\$ 5,693,163	(21,348,743)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	9,180,610
DT	Property Taxes, Levied for Debt Service	2,077,076
SF	State Aid - Formula Grants	9,501,746
IE	Investment Earnings	131,844
MJ	Miscellaneous Local and Intermediate Revenue	650
TR	Total General Revenues	20,891,926
CN	Change in Net Assets	(456,817)
NB	Net Assets--Beginning	20,748,941
PA	Prior Period Adjustment	71,060
NE	Net Assets--Ending	\$ 20,363,184

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2009

EXHIBIT C-1

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 7,457,656	\$ 1,439,066	\$ 651,971	\$ 9,548,693
1220	Property Taxes - Delinquent	596,762	-	96,542	693,304
1230	Allowance for Uncollectible Taxes (Credit)	(59,676)	-	(9,654)	(69,330)
1240	Due from Other Governments	379,839	-	602,057	981,896
1260	Due from Other Funds	494,046	-	-	494,046
1290	Other Receivables	68,966	-	5,974	74,940
1300	Inventories	54,829	-	-	54,829
1000	Total Assets	<u>\$ 8,992,422</u>	<u>\$ 1,439,066</u>	<u>\$ 1,346,890</u>	<u>\$ 11,778,378</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 40,029	\$ 2,677	\$ 11,953	\$ 54,659
2140	Interest Payable - Current	-	-	60,992	60,992
2160	Accrued Wages Payable	488,665	-	149,285	637,950
2170	Due to Other Funds	2,000	-	494,046	496,046
2180	Due to Other Governments	2,356,997	-	217,915	2,574,912
2200	Accrued Expenditures	8,945	-	8,687	17,632
2300	Deferred Revenues	537,085	-	86,888	623,973
2000	Total Liabilities	<u>3,433,721</u>	<u>2,677</u>	<u>1,029,766</u>	<u>4,466,164</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long Term Debt	-	-	248,293	248,293
Unreserved Designated For:					
3510	Construction	1,525,148	-	-	1,525,148
Unreserved and Undesignated:					
3600	Reported in the General Fund	4,033,553	-	-	4,033,553
3610	Reported in Special Revenue Funds	-	-	68,831	68,831
3620	Reported in Capital Projects Funds	-	1,436,389	-	1,436,389
3000	Total Fund Balances	<u>5,558,701</u>	<u>1,436,389</u>	<u>317,124</u>	<u>7,312,214</u>
4000	Total Liabilities and Fund Balances	<u>\$ 8,992,422</u>	<u>\$ 1,439,066</u>	<u>\$ 1,346,890</u>	<u>\$ 11,778,378</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2009

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	7,312,214
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$67,900,504 and the accumulated depreciation was \$19,577,266. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		9,765,872
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		5,642,595
3 The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,548,491)
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(809,006)
19 Net Assets of Governmental Activities	<u>\$</u>	<u>20,363,184</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 9,445,190	\$ 61,069	\$ 2,494,483	\$ 12,000,742
5800 State Program Revenues	10,188,883	122	1,043,144	11,232,149
5900 Federal Program Revenues	62,704	-	3,878,167	3,940,871
5020 Total Revenues	19,696,777	61,191	7,415,794	27,173,762
EXPENDITURES:				
Current:				
0011 Instruction	10,579,246	-	2,909,009	13,488,255
0012 Instructional Resources and Media Services	500,959	-	44	501,003
0013 Curriculum and Instructional Staff Development	156,473	-	131,354	287,827
0021 Instructional Leadership	310,542	-	11,062	321,604
0023 School Leadership	1,510,896	-	9,147	1,520,043
0031 Guidance, Counseling and Evaluation Services	482,066	-	158,520	640,586
0032 Social Work Services	137,405	-	6,721	144,126
0033 Health Services	241,201	-	2,646	243,847
0034 Student (Pupil) Transportation	590,670	-	1,464	592,134
0035 Food Services	-	-	1,851,582	1,851,582
0036 Extracurricular Activities	823,993	-	-	823,993
0041 General Administration	901,332	-	-	901,332
0051 Facilities Maintenance and Operations	2,446,235	-	-	2,446,235
0052 Security and Monitoring Services	5,593	-	-	5,593
0053 Data Processing Services	84,581	-	-	84,581
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	351,385	-	670,000	1,021,385
0072 Debt Service - Interest on Long Term Debt	106,959	-	1,734,542	1,841,501
0073 Debt Service - Bond Issuance Cost and Fees	-	-	1,010	1,010
Capital Outlay:				
0081 Facilities Acquisition and Construction	173,064	4,425,327	99,840	4,698,231
Intergovernmental:				
0099 Other Intergovernmental Charges	179,811	-	-	179,811
6030 Total Expenditures	19,582,411	4,425,327	7,586,941	31,594,679
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	114,366	(4,364,136)	(171,147)	(4,420,917)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	1,475	-	1,094,129	1,095,604
8911 Transfers Out (Use)	(41,215)	-	(1,054,389)	(1,095,604)
7080 Total Other Financing Sources (Uses)	(39,740)	-	39,740	-
1200 Net Change in Fund Balances	74,626	(4,364,136)	(131,407)	(4,420,917)
0100 Fund Balance - September 1 (Beginning)	5,484,075	5,800,525	531,172	11,815,772
1300 Increase (Decrease) in Fund Balance	-	-	(82,641)	(82,641)
3000 Fund Balance - August 31 (Ending)	\$ 5,558,701	\$ 1,436,389	\$ 317,124	\$ 7,312,214

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, 2009

Total Net Change in Fund Balances - Governmental Funds	\$	(4,420,917)
 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		5,642,595
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(1,548,491)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(130,004)
 Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(456,817)</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 9,470,888	\$ 9,380,888	\$ 9,445,190	\$ 64,302
5800	State Program Revenues	10,206,765	10,206,765	10,188,883	(17,882)
5900	Federal Program Revenues	18,000	108,000	62,704	(45,296)
5020	Total Revenues	19,695,653	19,695,653	19,696,777	1,124
EXPENDITURES:					
Current:					
0011	Instruction	10,673,957	10,776,294	10,579,246	197,048
0012	Instructional Resources and Media Services	501,214	501,214	500,959	255
0013	Curriculum and Instructional Staff Development	176,530	169,899	156,473	13,426
0021	Instructional Leadership	321,845	311,773	310,542	1,231
0023	School Leadership	1,512,311	1,512,311	1,510,896	1,415
0031	Guidance, Counseling and Evaluation Services	537,681	537,681	482,066	55,615
0032	Social Work Services	137,617	137,617	137,405	212
0033	Health Services	247,074	247,074	241,201	5,873
0034	Student (Pupil) Transportation	619,297	619,297	590,670	28,627
0036	Extracurricular Activities	870,860	870,860	823,993	46,867
0041	General Administration	1,019,538	906,065	901,332	4,733
0051	Facilities Maintenance and Operations	2,497,767	2,497,767	2,446,235	51,532
0052	Security and Monitoring Services	11,500	11,500	5,593	5,907
0053	Data Processing Services	93,302	93,302	84,581	8,721
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	339,440	351,385	351,385	-
0072	Debt Service - Interest on Long Term Debt	135,720	123,775	106,959	16,816
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	173,064	173,064	-
Intergovernmental:					
0099	Other Intergovernmental Charges	-	180,000	179,811	189
6030	Total Expenditures	19,695,653	20,020,878	19,582,411	438,467
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(325,225)	114,366	439,591
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	1,475	1,475
8911	Transfers Out (Use)	-	-	(41,215)	(41,215)
7080	Total Other Financing Sources (Uses)	-	-	(39,740)	(39,740)
1200	Net Change in Fund Balances	-	(325,225)	74,626	399,851
0100	Fund Balance - September 1 (Beginning)	5,484,075	5,484,075	5,484,075	-
3000	Fund Balance - August 31 (Ending)	\$ 5,484,075	\$ 5,158,850	\$ 5,558,701	\$ 399,851

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2009

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 77,832
Due from Other Funds	2,000
Total Assets	<u>\$ 79,832</u>
LIABILITIES	
Due to Student Groups	\$ 79,832
Total Liabilities	<u>\$ 79,832</u>

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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Gainesville Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. A seven-member Board of Trustees (the Board), elected by registered voters of the District, governs the District. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Boards (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

The fund financial statements provide reports on the financial condition and results of operations for two fund categories: governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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

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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009**

year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available (GASB 2300.106a(5) and 1600.108), and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which are recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable, available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

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

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

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

- The **General Fund** is the District's primary operating fund. It accounts for all financial resources, except those that are required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects.
- The **Capital Projects Fund** accounts for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions

Additionally, the District may report the following fund types:

Governmental Funds:

- **Special Revenue Funds** account for resources restricted to, or designated for, specific purposes by the District or a grantor. Most Federal and some State financial assistance is accounted for in special

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009**

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

- The **Debt Service Fund** accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary Funds:

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

E. OTHER ACCOUNTING POLICIES

1. **Cash and cash equivalents** – The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments, which are investments with original maturities of three months or less from date of acquisition.
2. **Inventories** – The District reports inventories of supplies at weighted average cost including consumable custodial, maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. **Long-term debt** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009**

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

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

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

The District has no restrictions on capital assets.

6. **Fund equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
7. **Net assets** – When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
8. **Data control codes** – The data control codes refer to the account code structure prescribed by TEA in the *FASRG*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009**

<u>Capital Assets at the Beginning of the Year</u>	Historic Cost	Accumulated Depreciation	Net Value 8/31/2008	Change in Net Assets
Land	\$ 2,021,069	\$ -	\$ 2,021,069	
Construction in Progress	641,790	-	641,790	
Buildings & Improvements	62,080,627	17,547,210	44,533,417	
Furniture & Equipment	3,157,018	2,030,056	1,126,962	
	<u>\$ 67,900,504</u>	<u>\$ 19,577,266</u>	<u>\$ 48,323,238</u>	\$ 48,323,238
<u>Long-term Liabilities at the Beginning of the Year</u>			Balance 8/31/2008	
Bonds Payable			\$ 35,990,000	
Maintenance Tax Notes Payable			2,210,000	
Capital Lease Payable			357,366	
			<u>\$ 38,557,366</u>	(38,557,366)
Net Adjustment to Net Assets				<u>\$ 9,765,872</u>

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

Exhibits C-2 and C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements.

This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	Amount	Adjustments to Net Assets	Adjustments to Changes in Net Assets
<u>Current Year Capital Outlay</u>			
Total Capital Outlay	\$ 4,621,210	\$ 4,621,210	\$ 4,621,210
<u>Debt Principal Payments</u>			
Bonds Payable	\$ 670,000		
Maintenance Tax Notes	190,000		
Capital Lease Payable	161,385		
	<u>1,021,385</u>	<u>1,021,385</u>	<u>1,021,385</u>
Total Adjustment to Net Assets		<u>\$ 5,642,595</u>	<u>\$ 5,642,595</u>

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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009**

	Amount	Adjustments to Net Assets	Adjustments to Changes in Net Assets
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 357,743	\$ -	\$ (357,743)
Uncollected Taxes (Assumed Collectible)			
from Current Year Levy	282,503	282,503	282,503
Uncollected Taxes (Assumed Collectible)			
from Prior Year Levy	341,472	341,472	-
Record Loss on Asset Disposal	28,228	(28,228)	(28,228)
<u>Reclassify Transactions From Bonds and Capital Leases</u>			
Unamortized Issuance Cost on Bonds			
-Beginning Balance	443,876	443,876	-
Current Year Amortization	21,417	(21,417)	(21,417)
Bond Issuance Costs New Issue	-	-	-
Unamortized Premium on Bonds-Beginning			
Balance	969,442	(969,442)	-
Record Premium on New Bond	-	-	-
Record Amortization of Premium	36,579	36,579	36,579
Accumulated Accretion on CAB's			
Current Year Accretion on CAB's	24,764	(24,764)	(24,764)
Unamortized Discount on Bonds			
-Beginning Balance	127,359	127,359	-
Record Amortization of Discount	5,662	(5,662)	(5,661)
Unamortized Deferred Refunding Charge			
-Beginning Balance	239,705	239,705	-
Current Year Amortization of Def Charge	12,616	(12,616)	(12,616)
New Capital Lease			
Accrued Arbitrage Payable	146,949	(146,949)	-
Accrued Interest from Prior Year	78,743	-	78,743
Accrued Interest from Current Year	77,400	(77,400)	(77,400)
Total Adjustment to Net Assets		<u>\$ (809,006)</u>	<u>\$ (130,004)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board adopts an "appropriated budget" on a basis consistent for GAAP for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted original and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for each of these funds. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J-4 and J-5.

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

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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009**

2. A meeting of the Board is called for the purpose of adopting the proposed budget. At least ten days, but not more than 30 days, public notice of the meeting is required.
3. Prior to September 1st, the Board legally enacts the budget through passage of a resolution.

Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were significant.

	Amendment
General Fund:	
Asbestos Abatement & Remediation	\$ 72,743
Increase Salaries due to Changes in Title I	85,634
Window renovations at Middle School	150,000

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

N/A

C. DEFICIT FUND EQUITY

There are no deficit fund balances at August 31, 2009.

IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2009, the carrying amount of the District's cash and cash equivalents (cash, Certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,482,720 and the bank balance was \$9,720,555. The District's cash deposits at August 31, 2009 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, the Public Funds Investment Act to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009**

for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

The District's investments at August 31, 2009 are shown below.

<u>Investment or Investment Type</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
Tex Star	N/A	\$ 50,400
Lone Star Investment Pool		89,580
Total		<u>\$ 139,980</u>

3. Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

At August 31, 2009, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated at the credit risk as follows:

Public Funds Investment Pools:

Tex Star	AAA
Lone Star Investment Pool	AAA

b. Custodial Credit Risk

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

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

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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
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c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

B. PROPERTY TAXES

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

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

Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Tax collections are prorated between the general fund and debt service fund based on the tax rate approved by the Board. For the year ended August 31, 2009, the rates were \$1.04 and \$.23532 respectively, per \$100 of assessed value.

Property taxes receivable at year-end was as follows:

Property Taxes Receivable	\$	693,304
Allowance for Uncollectible Amounts		<u>(69,330)</u>
Net Property Taxes Receivable	\$	<u>623,974</u>

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the general and debt service funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The property tax receivable allowance is equal to 10 percent of outstanding property taxes at August 31, 2009.

C. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2009 consisted of the following individual fund balances:

Due to General Fund From:	Amount	Purpose
Nonmajor Special Revenue Funds:		
Head Start	\$ 413	Grant funds expended, not received at year-end
ESEA Title I Part A	49,723	Grant funds expended, not received at year-end
National Breakfast & Lunch	32,746	Grant funds expended, not received at year-end
Vocational Ed Basic Grant	3,671	Grant funds expended, not received at year-end
ESEA Title XIV ARRA State Stabilization	153,194	Grant funds expended, not received at year-end
Pregnancy, Education & Parenting	16,140	Grant funds expended, not received at year-end
Student Success Initiative	63,782	Grant funds expended, not received at year-end
Kindergarten & Pre-K Grants	97,494	Grant funds expended, not received at year-end
LEP Student Success Initiative	76,883	Grant funds expended, not received at year-end
Agency Funds	2,000	Error made on deposit
	<u>\$ 496,046</u>	

Transfers between funds during the year ended August 31, 2009 were as follows:

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Between Nonmajor Funds	Amount	Reason
To Schoolwide Consolidated		
Funds from :		
ESEA Title V Safe & Drug Free Schools	\$ 18,987	To transfer funds to consolidated fund for schoolwide program
ESEA Title I Part A	750,835	To transfer funds to consolidated fund for schoolwide program
ESEA Title II Part A	211,945	To transfer funds to consolidated fund for schoolwide program
ESEA Title II Part D	7,878	To transfer funds to consolidated fund for schoolwide program
ESEA Title III Part A	58,972	To transfer funds to consolidated fund for schoolwide program
To National Breakfast & Lunch Program from:		
Summer Feeding Program	4,297	To support Food Service
General Fund	41,215	To support Food Service
To General Fund from:		
Automated Extnl Defibrillators	1,475	To reimburse for expenditure
	<u>\$ 1,095,604</u>	

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2009 were as follows:

	Governmental Activities			
	General Fund	Nonmajor Special Rev.	Debt Service Fund	Total Receivables
Net Property Taxes Receivables	\$ 537,086	\$ -	\$ 86,888	\$ 623,974
Other Governments	379,839	602,057	-	981,896
Other Funds	494,046	-	-	494,046
Other Receivables	68,966	-	5,974	74,940
Total	<u>\$ 1,479,937</u>	<u>\$ 602,057</u>	<u>\$ 92,862</u>	<u>\$ 2,174,856</u>

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

Property Taxes	<u>\$ 387,086</u>	<u>\$ -</u>	<u>\$ 74,388</u>	<u>\$ 461,474</u>
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Payables at August 31, 2009 were as follows:

	Governmental Activities				General	Total Payables
	General Fund	Capital Projects	Nonmajor Special Rev.	Debt Service Fund	Long Term Debt	
Bonds and Capital Leases						
Payable-Current Portion	\$ -	\$ -	\$ -	\$ -	\$ 741,017	\$ 741,017
Accounts Payable	40,029	2,677	11,953	-	-	54,659
Salaries & Benefits	497,610	-	157,972	-	-	655,582
Other Governments	2,356,997	-	4,215	213,700	-	2,574,912
Other Funds	2,000	-	494,046	-	-	496,046
Accrued Interest	-	-	-	60,992	77,400	138,392
Total	<u>\$ 2,896,636</u>	<u>\$ 2,677</u>	<u>\$ 668,186</u>	<u>\$ 274,692</u>	<u>\$ 818,417</u>	<u>\$ 4,660,608</u>

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
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E. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2009, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as *Due from Other Governments*.

	General Fund	Nonmajor Special Rev. Funds	Totals
State Entitlements	\$ 379,839	\$ 255,054	\$ 634,893
Federal Grants	-	347,003	347,003
Total	<u>\$ 379,839</u>	<u>\$ 602,057</u>	<u>\$ 981,896</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2009, was as follows:

<u>Governmental Activities:</u>	Balance 9/1/2008	Increases	Reductions	Balance 8/31/2009
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 2,021,069	-	-	\$ 2,021,069
Construction in Progress	641,790	-	(641,790)	-
<u>Capital Assets Being Depreciated</u>				
Buildings & Improvements	62,080,627	5,235,734	(100,000)	67,216,361
Furniture & Equipment	3,157,018	27,266	(35,432)	3,148,852
	<u>65,237,645</u>	<u>5,263,000</u>	<u>(135,432)</u>	<u>70,365,213</u>
<u>Less Accumulated Depreciation</u>				
Buildings & Improvements	17,547,210	1,266,701	(71,795)	18,742,116
Furniture & Equipment	2,030,056	281,790	(35,430)	2,276,416
	<u>19,577,266</u>	<u>1,548,491</u>	<u>(107,225)</u>	<u>21,018,532</u>
Net Capital Assets				
Being Depreciated	45,660,379	3,714,509	(28,207)	49,346,681
Net Capital Assets	<u>\$ 48,323,238</u>	<u>3,714,509</u>	<u>(669,997)</u>	<u>\$ 51,367,750</u>

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$ 1,212,106
12 Instructional Resources and Media Services	14,779
23 School Leadership	13,335
31 Guidance, Counseling and Evaluation Services	8,813
32 Social Work Services	5,607
33 Health Services	8,444
34 Student Transportation	77,769
35 Food Services	72,757
36 Cocurricular/Extracurricular Activities	82,475
41 General Administration	13,584
51 Plant Maintenance and Operations	38,822
Total Depreciation Expense	<u>\$ 1,548,491</u>

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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G. LONG-TERM DEBT

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

Bonds and Maintenance Notes

- The Gainesville Independent School District Unlimited Tax School Building Bonds, Series 1995 were issued February 15, 1995 in the amount of \$6,000,000. The bonds bear interest from 5.5% to 7.5% and were originally due in annual installments ranging from \$75,000 to \$430,000 through February 2025. In 1998, \$3,005,000 of this issue was defeased. In 2004, an additional \$1,590,000 was defeased. The balance of the bonds are payable in annual installments ranging from \$169,000 to \$171,187 through February, 2009.
- The Gainesville Independent School District Unlimited Tax Refunding Bonds, Series 1998 were issued February 15, 1998 in the amount of \$2,945,000 is current interest bonds and capital appreciation bonds with a maturity value of \$665,000. The current interest portion of these bonds was defeased by the 2008 Unlimited Tax Refunding Bonds. The capital appreciation portion of the 1998 issue remain outstanding and will mature in 2012.
- The Gainesville Independent School Maintenance Tax Notes, Series 2003 were issued February 15, 2003 in the amount of \$1,000,000. The notes bear interest from 3.45% to 4% and are due in annual installments ranging from \$35,000 to \$115,000 through February 2013.
- The Gainesville Independent School District Unlimited Tax Refunding Bonds, Series 2004 were issued December, 2004. This issue was used to partially refund (\$1,590,000) the Series 1995 School Building Bonds and partially refund (\$3,080,000) the Series 1997 School Building Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$290,169. This amount is being amortized over the remaining life of the new debt issued. The refunding was undertaken to reduce total debt service by \$566,528, and resulted in a net present value savings of \$350,820. The bonds are comprised of \$4,650,000 of current interest bonds and capital appreciation bonds with a maturity value of \$430,000. The current interest bonds bear interest from 2% to 4.63% and are due in annual installments ranging from \$236,000 to \$644,000 through February 2027.
- The Gainesville Independent School District Unlimited Tax School Building Bonds, Series 2006 were issued March 28, 2007 in the amount of \$29,500,000. The bonds bear interest from 4.0% to 4.5% and are due in annual installments ranging from \$335,000 to \$2,355,000 through February 2036.
- The Gainesville Independent School Maintenance Tax Notes, Series 2007 were issued August 30, 2007 in the amount of \$1,770,000. The notes bear interest at 4.5% and are due in annual installments ranging from \$90,000 to \$160,000 through February 2022.
- The Gainesville Independent School District Unlimited Tax Refunding Bonds Series 2008 were issued February 15, 2008. This issue was used to refund the current interest portion of the 1998 Unlimited Tax Refunding Bonds. The reacquisition price and the net carrying amount of the old debt was \$2,610,000. The refunding was undertaken to reduce total debt service by \$171,951, and resulted in a net present value savings of \$134,472. The bonds are comprised of \$2,595,000 of current interest bonds and capital appreciation bonds with a maturity value of \$50,000. The current interest bonds bear interest from 3.2% to 4.2% and are due in annual installments ranging from \$10,000 to \$335,000 through February 2021.

A summary of changes in bonds and maintenance notes for the year ended August 31, 2009 is as follows:

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
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	School Building Bonds Series 1995	Tax Refunding Bonds Series 1998	Maint. Tax Notes Series 2003	Tax Refunding Bonds Series 2004	School Building Bonds Series 2006	Maint. Tax Notes Series 2007	Tax Refunding Bonds Series 2008	Totals
Balance, 9/1/2008	\$ 165,000	\$ -	\$ 530,000	\$ 4,470,000	\$ 28,760,000	\$ 1,680,000	\$ 2,595,000	\$ 38,200,000
New Debt	-	-	-	-	-	-	-	-
Less Adjustment	-	-	-	-	-	-	-	-
Payments-Scheduled	(165,000)	-	(100,000)	(100,000)	(405,000)	(90,000)	-	(860,000)
Paid from Refunding	-	-	-	-	-	-	-	-
Balance, 8/31/2009	-	-	430,000	4,370,000	28,355,000	1,590,000	2,595,000	37,340,000
Capital Appreciation								
Bonds	-	665,000	-	430,000	-	-	-	1,095,000
Less Future Accretion	-	(46,372)	-	(29,842)	-	-	-	(76,214)
Book Value of CABs	-	618,628	-	400,158	-	-	-	1,018,786
Discount on Bonds	-	-	-	(65,829)	(61,530)	-	-	(127,359)
Less Current Year's Amortization	-	-	-	3,464	2,198	-	-	5,662
Unamortized Discount	-	-	-	(62,365)	(59,332)	-	-	(121,697)
Premium on Bonds	-	-	-	-	921,966	-	47,476	969,442
Less Current Year's Amortization	-	-	-	-	(32,927)	-	(3,635)	(36,562)
Unamortized Premium	-	-	-	-	889,039	-	43,841	932,880
Deferred Refunding Expense	-	-	-	(239,705)	-	-	-	(239,705)
Less Current Year Amortization	-	-	-	12,616	-	-	-	12,616
	-	-	-	(227,089)	-	-	-	(227,089)
Arbitrage Payable	-	-	-	-	146,949	-	-	146,949
Net Bond Carrying Balance	\$ -	\$ -	\$ 430,000	\$ 4,460,704	\$ 29,351,656	\$ 1,590,000	\$ 2,638,841	\$ 39,069,829
Current Portion	\$ -	\$ -	\$ 100,000	\$ -	\$ 420,000	\$ 95,000	\$ 10,000	\$ 625,000
Current Year Interest Expense	\$ 6,188	\$ -	\$ 18,018	\$ 190,130	\$ 1,371,025	\$ 73,553	\$ 167,200	\$ 1,826,114

For the year ended August 31, 2009, the School recognized interest accretion of \$29,436 on the 1998 Capital Appreciation Bonds, \$13,030 on the 2004 Capital Appreciation Bonds.

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

Year Ended August 31,	Principal	Interest	Capital Appreciation Bonds	Total
2010	\$ 625,000	\$ 1,659,363	\$ 330,000	\$ 2,614,363
2011	645,000	1,638,295	330,000	2,613,295
2012	675,000	1,616,174	330,000	2,621,174
2013	935,000	1,588,834	105,000	2,628,834
2014	960,000	1,556,277	-	2,516,277
2015 - 2019	5,425,000	7,230,247	-	12,655,247
2020 - 2024	6,405,000	6,108,591	-	12,513,591
2025 - 2029	7,480,000	4,606,029	-	12,086,029
2030 - 2034	9,600,000	2,495,105	-	12,095,105
2035 - 2039	4,590,000	244,125	-	4,834,125
Total	\$ 37,340,000	\$ 28,743,040	\$ 1,095,000	\$ 67,178,040

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2009.

Defeased Debt

In 1998, the District defeased a portion of the Series 1995 bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On August 31, 2009, \$1,590,000 of bonds considered defeased was still outstanding.

In 2005, the Series 1995 bonds were again partially defeased by the 2004 Refunding Bonds. The 2004 Refunding Bonds also partially defeased \$3,080,000 of the 1997 bonds. At August 31, 2009, \$2,950,000 of the 1997 bonds considered defeased was still outstanding.

In 2008, the Series 1998 bonds were partially defeased by the 2008 Refunding Bonds. At August 31, 2009, \$2,555,000 of the 1998 bonds considered defeased was still outstanding.

Capital Leases

- A capital lease with BancLeasing, Inc. was issued in February 2003 for the purchase of seven buses in the amount of \$401,039. The lease is payable in annual installments of \$64,968 with the final payment due in February 2009. The interest rate is 4.41%.
- A capital lease with Standard Leasing, LLC was issued in December 2003 for the purchase of a bus in the amount of \$59,786. The lease is payable in annual installments of \$9,866 with the final payment due in September 2009. The interest rate is 4.09%.
- A capital lease with Banc One Leasing Corporation was issued in June 2004 for the purchase of five buses in the amount of \$290,507. The lease is payable in annual installments of \$46,654 with the final payment due in June 2010. The interest rate is 4.09%.
- A capital lease with Bluebird Leasing was issued in November 2006 for the purchase of two buses in the amount of \$138,860. The lease is payable in annual installments of \$30,497 with the final payment due in November 2009. The interest rate is 4.70%.
- A capital lease with Bank of America Pubic Capital Corp. was issued in January 2008 for the purchase of 14 copy machines in the amount of \$165,420. The lease is payable in monthly installments of \$3,163 with the final payment due in December 2012. The interest rate is 5.541%.

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
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A summary of changes in capital leases for the year ended August 31, 2009 is as follows:

	BancLeasing 7 Buses	Standard Leasing 1 Bus	Banc One Leasing 5 Buses	Bluebird Leasing 2 Buses	Bank of America Copy Mach.	Totals
Balance, 9/1/2008	\$ 62,243	\$ 9,388	\$ 87,881	\$ 56,948	\$ 140,925	\$ 357,385
New Debt	-	-	-	-	-	-
Payments	(62,243)	-	(43,060)	(27,821)	(28,280)	(161,404)
Balance, 8/31/2009	<u>\$ -</u>	<u>\$ 9,388</u>	<u>\$ 44,821</u>	<u>\$ 29,127</u>	<u>\$ 112,645</u>	<u>\$ 195,981</u>
Current Portion	<u>\$ -</u>	<u>\$ 9,388</u>	<u>\$ 44,821</u>	<u>\$ 29,127</u>	<u>\$ 32,681</u>	<u>\$ 116,017</u>
Current Year						
Interest Expense	<u>\$ 2,608</u>	<u>\$ -</u>	<u>\$ 3,594</u>	<u>\$ 2,677</u>	<u>\$ 6,511</u>	<u>\$ 15,390</u>

Future capital lease requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2010	\$ 116,017	\$ 9,103	\$ 125,120
2011	34,379	3,575	37,954
2012	36,333	1,621	37,954
2013	9,252	86	9,338
2014	-	-	-
Total	<u>\$ 195,981</u>	<u>\$ 14,385</u>	<u>\$ 210,366</u>

H. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments. Lease expense for operating lease agreements for the current year is \$10,462. Minimum future annual requirements as of August 31, 2009 are as follows:

Year Ended August 31,	Amount
2010	13,240
2011	7,991
2012	5,754
2013	4,457
2014	4,085
Thereafter	-
Total	<u>\$ 35,527</u>

I. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

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	General	Nonmajor	Debt Service	Totals
	Fund	Special Rev. Funds	Fund	
Net Tax Revenue	\$ 537,085	\$ -	\$ 86,888	\$ 623,973

J. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General	Nonmajor	Debt	Construction	Totals
	Fund	Special Rev. Funds	Service Fund	Projects Fund	
Property Taxes	\$ 9,105,578	\$ -	\$ 2,054,843	\$ -	\$11,160,421
Penalties & Interest on Property	143,044	-	29,483	-	172,527
Services to Other Districts	-	-	-	-	-
Tuition & Fees	-	-	-	-	-
Investment Income	68,137	-	3,888	59,819	131,844
Rent	1,250	-	-	-	1,250
Gifts & Bequests	-	21,889	-	1,250	23,139
Insurance Recovery	-	-	-	-	-
Food Sales	-	375,709	-	-	375,709
Co-Curricular Student Activities	58,083	-	-	-	58,083
Other Revenues	69,098	8,671	-	-	77,769
	<u>\$ 9,445,190</u>	<u>\$ 406,269</u>	<u>\$ 2,088,214</u>	<u>\$ 61,069</u>	<u>\$12,000,742</u>

V. OTHER INFORMATION

A. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

A state minimum personal leave program consisting of five days per year of personal leave, with no limit on accumulation and no restrictions on transfer among districts, is provided for District employees. All employees who are eligible for state personal leave also earn an additional five workdays of local sick leave per year. Local sick leave may be carried forward to the next fiscal year subject to a maximum of fifteen carryover days. The District has not recorded a liability for accumulated sick leave since the amount is not considered material.

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

B. PENSION PLAN

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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009**

Funding Policy. State law provides for fiscal years 2009, 2008, and 2007 a state contribution rate of 6.5% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.5% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2009, 2008, and 2007 are shown on the following table. State contributions to TRS for Medicare Part D made on behalf of the District's retiree's for the years ended August 31, 2009, 2008 and 2007 are shown on the table following. The District paid additional State contributions on the portion of the employees' salaries that exceeded the statutory minimum for the years ended August 31, 2009, 2008, and 2007 as shown on the table.

	For the Years Ended August 31,		
	2009	2008	2007
TRS On Behalf	\$ 960,000	\$ 978,539	\$ 909,734
TRS On Behalf Medicare Part D	34,826	37,330	34,862
Additional Contributions	82,862	81,944	75,203

C. HEALTH CARE COVERAGE

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

During the year ended August 31, 2009, the District paid premiums of \$292 per month per employee to the Plan (employees, at their own option, may authorize payroll withholdings to pay premiums for dependents). "Employee" means a participating member of the Teacher Retirement System of Texas who is employed by a participating entity.

~~D. RELATED ORGANIZATIONS~~

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

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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009**

E. PRIOR PERIOD ADJUSTMENT

During the audit for the fiscal year ended August 31, 2009, it was discovered that an incorrect amount was accrued in the National Lunch & Breakfast Program during the previous fiscal year. The net effect of this adjustment is to decrease the previous year's fund balance by \$143,106.

During the fiscal year ended August 31, 2009, the Principal's Fund was moved from the Agency account to special revenue fund 461-Campus Activity Fund. The net effect of this adjustment is to increase fund 461's fund balance by \$60,465.

During the year ended August 31, 2008, the District accrued an arbitrage rebate liability on the statement of net assets in the amount of \$300,650. During the current fiscal year, because of the drop in interest rates this liability has been adjusted to \$153,701. The net effect of this adjustment is to increase the net assets by \$153,701.

F. SUBSEQUENT EVENT

On October 28, 2009, the District entered into an Agreement of Compromise Settlement and Release with one of the parties involved in the 235th Judicial District Court Cause No. 07-408. The District received \$418,000 as a partial settlement.

COMBINING STATEMENTS

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2009

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-
1240	Due from Other Governments	-	19,725	49,723
1290	Other Receivables	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 19,725</u>	<u>\$ 49,723</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts Payable	\$ -	\$ -	\$ -
2140	Interest Payable - Current	-	-	-
2160	Accrued Wages Payable	-	17,728	11,846
2170	Due to Other Funds	-	413	49,723
2180	Due to Other Governments	-	-	-
2200	Accrued Expenditures	-	1,584	1,119
2300	Deferred Revenues	-	-	-
2000	Total Liabilities	<u>-</u>	<u>19,725</u>	<u>49,723</u>
Fund Balances:				
Reserved For:				
3420	Retirement of Long Term Debt	-	-	-
Unreserved and Undesignated:				
3610	Reported in Special Revenue Funds	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 19,725</u>	<u>\$ 49,723</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization
\$ -	\$ 1,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
625	44,762	-	3,671	-	-	-	207,903
-	-	-	-	-	-	-	-
<u>\$ 625</u>	<u>\$ 46,299</u>	<u>\$ -</u>	<u>\$ 3,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,903</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
578	13,241	-	-	-	-	-	53,931
-	32,746	-	3,671	-	-	-	153,194
-	-	-	-	-	-	-	-
47	312	-	-	-	-	-	778
-	-	-	-	-	-	-	-
<u>625</u>	<u>46,299</u>	<u>-</u>	<u>3,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,903</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 625</u>	<u>\$ 46,299</u>	<u>\$ -</u>	<u>\$ 3,671</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,903</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2009

Data Control Codes	270 ESEA VI, Pt B Rural & Low Income	283 IDEA, Pt. B ARRA Formula	288 Summer School LEP	289 Schoolwide Consolidated Funds
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-
1240	Due from Other Governments	-	7,629	-
1290	Other Receivables	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 7,629</u>	<u>\$ 48,424</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts Payable	\$ -	\$ -	\$ -
2140	Interest Payable - Current	-	-	-
2160	Accrued Wages Payable	-	6,966	44,254
2170	Due to Other Funds	-	-	-
2180	Due to Other Governments	-	-	-
2200	Accrued Expenditures	-	663	4,170
2300	Deferred Revenues	-	-	-
2000	Total Liabilities	<u>-</u>	<u>7,629</u>	<u>48,424</u>
Fund Balances:				
Reserved For:				
3420	Retirement of Long Term Debt	-	-	-
Unreserved and Undesignated:				
3610	Reported in Special Revenue Funds	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 7,629</u>	<u>\$ 48,424</u>

394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment	414 Texas Reading Initiative	415 Kindergarten and Pre-K Grants	423 LEP Student Success Initiative
\$ -	\$ -	\$ -	\$ -	\$ 28,689	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
16,895	-	-	63,782	-	-	97,494	76,883
-	-	-	-	-	-	-	-
<u>\$ 16,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,782</u>	<u>\$ 28,689</u>	<u>\$ -</u>	<u>\$ 97,494</u>	<u>\$ 76,883</u>
\$ -	\$ -	\$ -	\$ -	\$ 11,953	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
741	-	-	-	-	-	-	-
16,140	-	-	63,782	-	-	97,494	76,883
-	-	-	-	4,215	-	-	-
14	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>16,895</u>	<u>-</u>	<u>-</u>	<u>63,782</u>	<u>16,168</u>	<u>-</u>	<u>97,494</u>	<u>76,883</u>
-	-	-	-	-	-	-	-
-	-	-	-	12,521	-	-	-
-	-	-	-	12,521	-	-	-
<u>\$ 16,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,782</u>	<u>\$ 28,689</u>	<u>\$ -</u>	<u>\$ 97,494</u>	<u>\$ 76,883</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2009

Data Control Codes	428 High School Allotment	429 Automated Extnl Debirillators	461 Campus Activity Funds	499 GISD Education Foundation	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 49,872	\$ 6,438
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Due from Other Governments	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,872</u>	<u>\$ 6,438</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2140	Interest Payable - Current	-	-	-	-
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long Term Debt	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	49,872	6,438
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>49,872</u>	<u>6,438</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,872</u>	<u>\$ 6,438</u>

Total Nonmajor Special Revenue Funds	599 Debt Service Funds	Total Nonmajor Governmental Funds
\$ 134,960	\$ 517,011	\$ 651,971
-	96,542	96,542
-	(9,654)	(9,654)
602,057	-	602,057
-	5,974	5,974
<u>\$ 737,017</u>	<u>\$ 609,873</u>	<u>\$ 1,346,890</u>
\$ 11,953	\$ -	\$ 11,953
-	60,992	60,992
149,285	-	149,285
494,046	-	494,046
4,215	213,700	217,915
8,687	-	8,687
-	86,888	86,888
<u>668,186</u>	<u>361,580</u>	<u>1,029,766</u>
-	248,293	248,293
68,831	-	68,831
<u>68,831</u>	<u>248,293</u>	<u>317,124</u>
<u>\$ 737,017</u>	<u>\$ 609,873</u>	<u>\$ 1,346,890</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	18,987	351,477	867,717
5020	Total Revenues	<u>18,987</u>	<u>351,477</u>	<u>867,717</u>
EXPENDITURES:				
Current:				
0011	Instruction	-	346,024	21,918
0012	Instructional Resources and Media Services	-	-	510,378
0013	Curriculum and Instructional Staff Development	-	2,807	-
0021	Instructional Leadership	-	-	83,902
0023	School Leadership	-	-	11,062
0031	Guidance, Counseling and Evaluation Services	-	-	-
0032	Social Work Services	-	-	158,520
0033	Health Services	-	2,646	-
0034	Student (Pupil) Transportation	-	-	-
0035	Food Services	-	-	-
Debt Service:				
0071	Debt Service - Principal on Long Term Debt	-	-	-
0072	Debt Service - Interest on Long Term Debt	-	-	-
0073	Debt Service - Bond Issuance Cost and Fees	-	-	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
6030	Total Expenditures	<u>-</u>	<u>351,477</u>	<u>116,882</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,987</u>	<u>-</u>	<u>750,835</u>
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-
8911	Transfers Out (Use)	<u>(18,987)</u>	<u>-</u>	<u>(750,835)</u>
7080	Total Other Financing Sources (Uses)	<u>(18,987)</u>	<u>-</u>	<u>(750,835)</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
1300	Increase (Decrease) in Fund Balance	-	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization
\$ -	\$ 375,709	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	41,601	382	-	-	-	-	-
13,948	1,317,827	10,613	50,039	211,945	7,878	58,972	207,903
13,948	1,735,137	10,995	50,039	211,945	7,878	58,972	207,903
13,948	-	-	49,939	-	-	-	108,063
-	-	-	100	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,838,799	12,783	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	99,840
13,948	1,838,799	12,783	50,039	-	-	-	207,903
-	(103,662)	(1,788)	-	211,945	7,878	58,972	-
-	45,513	-	-	-	-	-	-
-	-	(4,297)	-	(211,945)	(7,878)	(58,972)	-
-	45,513	(4,297)	-	(211,945)	(7,878)	(58,972)	-
-	(58,149)	(6,085)	-	-	-	-	-
-	201,255	6,085	-	-	-	-	-
-	(143,106)	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	270 ESEA VI, Pt B Rural & Low Income	283 IDEA, Pt. B ARRA Formula	288 Summer School LEP	289 Schoolwide Consolidated Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	81,025	7,629	3,309	-
5020 Total Revenues	<u>81,025</u>	<u>7,629</u>	<u>3,309</u>	<u>-</u>
EXPENDITURES:				
Current:				
0011 Instruction	81,025	7,629	3,309	1,031,856
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	10,039
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	6,721
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>81,025</u>	<u>7,629</u>	<u>3,309</u>	<u>1,048,616</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,048,616)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	1,048,616
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,048,616</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Increase (Decrease) in Fund Balance	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	401 Optional Extended Year Program	404 Student Success Initiative	411 Technology Allotment	414 Texas Reading Initiative	415 Kindergarten and Pre-K Grants	423 LEP Student Success Initiative
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29,612	-	-	110,645	73,632	7,060	243,083	109,963
-	-	-	-	-	-	-	-
<u>29,612</u>	<u>-</u>	<u>-</u>	<u>110,645</u>	<u>73,632</u>	<u>7,060</u>	<u>243,083</u>	<u>109,963</u>
29,612	-	-	108,426	61,332	6,512	243,083	80,857
-	-	-	-	-	-	-	-
-	-	-	-	5,400	-	-	29,106
-	-	-	2,219	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	548	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>29,612</u>	<u>-</u>	<u>-</u>	<u>110,645</u>	<u>66,732</u>	<u>7,060</u>	<u>243,083</u>	<u>109,963</u>
-	-	-	-	6,900	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	6,900	-	-	-
-	-	-	-	5,621	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	428 High School Allotment	429 Automated Extnl Debitrillators	461 Campus Activity Funds	499 GISD Education Foundation
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 8,671	\$ 21,889
5800 State Program Revenues	172,971	1,519	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>172,971</u>	<u>1,519</u>	<u>8,671</u>	<u>21,889</u>
EXPENDITURES:				
Current:				
0011 Instruction	172,971	-	11,420	20,707
0012 Instructional Resources and Media Services	-	44	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	6,928	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	916	-
0035 Food Services	-	-	-	-
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	-	-	-	-
0072 Debt Service - Interest on Long Term Debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>172,971</u>	<u>44</u>	<u>19,264</u>	<u>20,707</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>1,475</u>	<u>(10,593)</u>	<u>1,182</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	(1,475)	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,475)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	(10,593)	1,182
0100 Fund Balance - September 1 (Beginning)	-	-	-	5,256
1300 Increase (Decrease) in Fund Balance	-	-	60,465	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,872</u>	<u>\$ 6,438</u>

Total Nonmajor Special Revenue Funds	599 Debt Service Funds	Total Nonmajor Governmental Funds
\$ 406,269	\$ 2,088,214	\$ 2,494,483
790,468	252,676	1,043,144
3,878,167	-	3,878,167
<u>5,074,904</u>	<u>2,340,890</u>	<u>7,415,794</u>
2,909,009	-	2,909,009
44	-	44
131,354	-	131,354
11,062	-	11,062
9,147	-	9,147
158,520	-	158,520
6,721	-	6,721
2,646	-	2,646
1,464	-	1,464
1,851,582	-	1,851,582
-	670,000	670,000
-	1,734,542	1,734,542
-	1,010	1,010
99,840	-	99,840
<u>5,181,389</u>	<u>2,405,552</u>	<u>7,586,941</u>
<u>(106,485)</u>	<u>(64,662)</u>	<u>(171,147)</u>
1,094,129	-	1,094,129
<u>(1,054,389)</u>	<u>-</u>	<u>(1,054,389)</u>
39,740	-	39,740
(66,745)	(64,662)	(131,407)
218,217	312,955	531,172
<u>(82,641)</u>	<u>-</u>	<u>(82,641)</u>
<u>\$ 68,831</u>	<u>\$ 248,293</u>	<u>\$ 317,124</u>



TEA REQUIRED SCHEDULES

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2009

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2000 and prior years	Various	Various	\$ 4,374,801,485
2001	1.465000	0.065000	517,457,234
2002	1.500000	0.085000	537,423,308
2003	1.500000	0.075000	552,553,166
2004	1.500000	0.055000	566,927,052
2005	1.500000	0.055000	621,241,674
2006	1.500000	0.055000	660,331,933
2007	1.370000	0.338300	712,209,875
2008	1.040000	0.245419	782,369,153
2009 (School year under audit)	1.040000	0.235320	877,062,375
100 TOTALS			

(10) Beginning Balance 9/1/2008	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2009
\$ 98,135	\$ -	\$ 1,354	\$ 97	\$ (34,706)	\$ 61,978
30,843	-	92	4	(1,542)	29,205
34,201	-	541	31	(1,909)	31,720
32,747	-	1,849	92	(1,471)	29,335
33,576	-	4,976	182	(1,008)	27,410
37,437	-	8,980	329	(1,209)	26,919
49,467	-	2,642	97	(13,967)	32,761
120,869	-	40,640	10,192	(4,276)	65,761
339,653	-	176,486	41,647	(15,808)	105,712
-	11,185,352	8,846,557	2,002,170	(54,122)	282,503
<u>\$ 776,928</u>	<u>\$ 11,185,352</u>	<u>\$ 9,084,117</u>	<u>\$ 2,054,841</u>	<u>\$ (130,018)</u>	<u>\$ 693,304</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2009

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ 4,727	\$ -	\$ 183,970	\$ 453,740	\$ -	\$ -	\$ 642,437
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	2,830	73,423	-	-	-	76,253
6212	Audit Services	-	-	-	19,325	-	-	19,325
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	208,983	-	-	-	-	208,983
621X	Other Professional Services	2,832	-	10,000	28,213	-	-	41,045
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	43,846	-	-	43,846
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	5,551	-	-	5,551
6290	Miscellaneous Contr.	-	-	1,471	3,830	-	-	5,301
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	5,471	-	2,490	16,368	-	-	24,329
6410	Travel, Subsistence, Stipends	8,871	-	3,331	17,242	-	-	29,444
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	3,111	-	-	-	-	-	3,111
6490	Miscellaneous Operating	2,999	-	7,066	25,640	-	-	35,705
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 28,011	\$ 211,813	\$ 281,751	\$ 613,755	\$ -	\$ -	\$ 1,135,330

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 24,763,800

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 386,997
Total Debt & Lease(6500)	(11)	458,343
Plant Maintenance (Function 51, 6100-6400)	(12)	2,446,235
Food (Function 35, 6341 and 6499)	(13)	675,387
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		613,755

SubTotal:

4,580,717

Net Allowed Direct Cost

\$ 20,183,083

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 67,216,361
Historical Cost of Building over 50 years old	(16)	\$ 4,575,000
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 3,148,851
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 142,105
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$54,184 in Function 53 expenditures are included in this report on administrative costs.
 \$179,811 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2009

UNAUDITED

1	Total General Fund Balance as of 8/31/09 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 5,558,701
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ -	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	1,525,148	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	2,082,690	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).	2,225,061	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	63,004	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	327,269	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		<u>6,223,172</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ (664,471)</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, 2009 -

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	\$ 386,560	\$ 386,560	\$ 375,709	\$ (10,851)
5800	State Program Revenues	9,500	9,500	41,601	32,101
5900	Federal Program Revenues	1,080,732	1,441,081	1,317,827	(123,254)
5020	Total Revenues	1,476,792	1,837,141	1,735,137	(102,004)
EXPENDITURES:					
0035	Food Services	1,390,721	1,915,442	1,838,799	76,643
6030	Total Expenditures	1,390,721	1,915,442	1,838,799	76,643
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	86,071	(78,301)	(103,662)	(25,361)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	45,513	45,513
7080	Total Other Financing Sources (Uses)	-	-	45,513	45,513
1200	Net Change in Fund Balances	86,071	(78,301)	(58,149)	20,152
0100	Fund Balance - September 1 (Beginning)	201,254	201,255	201,255	-
1300	Increase (Decrease) in Fund Balance	-	-	(143,106)	(143,106)
3000	Fund Balance - August 31 (Ending)	\$ 287,325	\$ 122,954	\$ -	\$ (122,954)

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, 2009

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,027,284	\$ 2,027,284	\$ 2,088,214	\$ 60,930
5800	State Program Revenues	360,071	360,071	252,676	(107,395)
5020	Total Revenues	2,387,355	2,387,355	2,340,890	(46,465)
EXPENDITURES:					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	670,000	670,000	670,000	-
0072	Debt Service - Interest on Long Term Debt	1,734,543	1,734,543	1,734,542	1
0073	Debt Service - Bond Issuance Cost and Fees	2,500	2,500	1,010	1,490
6030	Total Expenditures	2,407,043	2,407,043	2,405,552	1,491
1200	Net Change in Fund Balances	(19,688)	(19,688)	(64,662)	(44,974)
0100	Fund Balance - September 1 (Beginning)	312,955	312,955	312,955	-
3000	Fund Balance - August 31 (Ending)	\$ 293,267	\$ 293,267	\$ 248,293	\$ (44,974)



FEDERAL AWARDS SECTION





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

To the Board of Trustees of
Gainesville Independent School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gainesville Independent School District (the "District") as of and for the year ended August 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

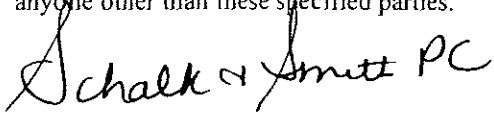
Compliance and Other Matters

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

Texas Public Funds Investment Act

We have performed tests designed to verify the District's compliance with the requirements of the Public Funds Investment Act. During the year ended August 31, 2009, no instances of noncompliance were found.

This report is intended solely for the information and use of the board of school trustees, the Texas Education Agency, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Schalk & Smith PC". The signature is written in a cursive, flowing style.

Schalk & Smith PC
December 21, 2009



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

To the Board of Trustees of
Gainesville Independent School District

Compliance

We have audited the compliance of Gainesville Independent School District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's administrators. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Gainesville Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009.

Internal Control Over Compliance

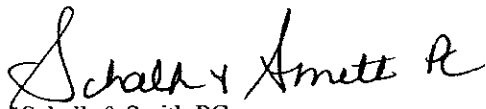
The administration of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal Control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



Schalk & Smith PC
December 21, 2009

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2009

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Gainesville Independent School District was an unqualified opinion.
- b. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.
- c. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
- d. No internal control findings required to be reported in this schedule were disclosed in the audit of the major programs.
- e. The type of report issued on compliance for major programs was an unqualified opinion.
- f. The audit disclosed no audit findings which the auditor is required to report under Section 510(a).
- f.. The District's major program was : Head Start 93.600
Child Nutrition Cluster 10.553
- g. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- h. The District qualified as a low-risk auditee.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

None

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2009**

N/A

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2009**

(Prepared by the District's Administration)

N/A

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2009

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	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	09610101049901	\$ 817,994
ESEA, Title I, Part A - Improving Basic Programs	84.010A	00610101049901	49,723
Total CFDA Number 84.010A			867,717
IDEA - Part B, Formula	84.027	096600010499016600	655,932
IDEA - Part B, Formula	84.027	006600010499016600	12,965
Total CFDA Number 84.027			668,897
Career and Technical - Basic Grant	84.048	09420006049901	50,039
IDEA - Part B, Preschool	84.173	096610010499016610	13,323
IDEA - Part B, Preschool	84.173	096610010499016610	624
Total CFDA Number 84.173			13,947
ESEA Title IV - Safe and Drug-Free Schools	84.186A	09691001049901	18,987
Title II, Part D -Enhancing Ed. Through Technology	84.318X	09630001049901	7,878
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	09696001049901	81,025
Title III, Part A - English Language Acquisition	84.365A	09671001049901	58,972
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	09694501049901	211,945
IDEA, Part B, Formula - ARRA	84.391	H391A090008	7,629
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	S394A090044	207,903
Summer School LEP	84.369A	S369A070045	3,309
Total Passed Through State Department of Education			\$ 2,198,248
TOTAL DEPARTMENT OF EDUCATION			\$ 2,198,248
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	Unknown	\$ 280,080
Total Passed Through State Department of Education			\$ 280,080
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 280,080
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
School Breakfast Program*	10.553		\$ 395,781
National School Lunch Program - Cash Assistance*	10.555	Unknown	847,554
National School Lunch Prog. - Non-Cash Assistance*	10.555	Unknown	74,492
Total CFDA Number 10.555			922,046
Summer Feeding Program - Cash Assistance	10.559	Unknown	10,613
Total Passed Through the State Department of Agriculture			\$ 1,328,440
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,328,440
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,806,768

*Clustered Programs as required by Compliance Supplement March, 2009

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2009

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

