

**GAINESVILLE INDEPENDENT
SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2011**

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2011**

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CERTIFICATE OF BOARD

Gainesville Independent School District

Name of School District

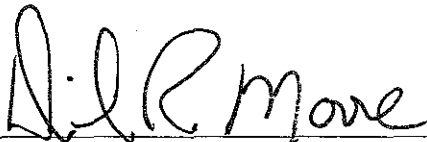
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County

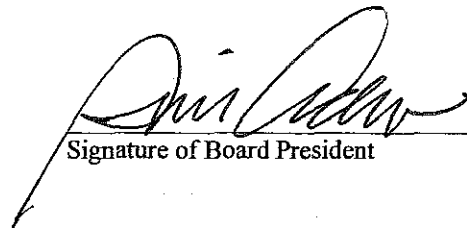
049901

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, 2011 at a meeting of the Board of Trustees of such school district on the 23th day of January, 2012.



Signature of Board Secretary



Signature of Board President

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



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gainesville Independent School District ("the District") as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gainesville Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gainesville Independent School District, as of August 31, 2011, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

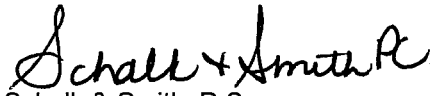
In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2011, on our consideration of the Gainesville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 50 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gainesville Independent School District's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-4. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Schalk & Smith, P.C.
December 31, 2011

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, 2011. 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 \$57,530,502 at August 31, 2011.
- During the year, the District's expenses were \$713,866 more than the \$28 million generated in taxes and other revenues for governmental activities.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$20,161,418.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,348,300 or 16.4 percent of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Governmental funds-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.

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 \$20,161,418 that represented a decrease of \$713,866 over the prior year net assets of \$20,875,284. 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 \$3,848,881 at August 31, 2011.

Table I
Gainesville Independent School District

NET ASSETS

	Governmental Activities 2011	Governmental Activities 2010
Current and other assets	\$ 5,512,420	\$ 6,648,354
Capital assets	52,018,082	53,220,045
Total assets	<u>57,530,502</u>	<u>59,868,399</u>
Long-term liabilities	35,669,905	37,376,224
Other liabilities	1,699,179	1,616,891
Total liabilities	<u>37,369,084</u>	<u>38,993,115</u>
Net assets:		
Invested in capital assets net of related debt	16,110,721	15,843,820
Restricted	201,816	159,776
Unrestricted	3,848,881	4,871,688
Total net assets	<u><u>\$ 20,161,418</u></u>	<u><u>\$ 20,875,284</u></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 \$16,110,721. 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 \$201,816 of the District's total net assets (approximately 1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3,848,881) 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 2011	Governmental Activities 2010
Revenues:		
Program revenues:		
Charges for services	\$ 515,198	\$ 430,825
Operating grants and contributions	6,285,750	6,806,985
General revenues		
Maintenance and operations taxes	9,168,108	9,734,273
Debt service taxes	2,074,577	2,204,636
State aid - formula grants	-	-
Grants and contributions not restricted to specific functions	9,180,902	8,502,638
Investment earnings	22,319	48,595
Construction Lawsuit Settlement	-	968,000
Loss on Disposal of Fixed Assets	-	(134,613)
Miscellaneous	5,150	77,503
Total revenue	27,252,004	28,638,842
Expenses:		
Instruction, curriculum and media services	15,453,053	15,727,407
Instructional and school leadership	1,938,642	2,009,500
Student support services	1,799,603	1,736,302
Child nutrition	1,965,470	1,953,196
Co-curricular activities	1,000,987	854,743
General administration	1,113,779	922,641
Plant maintenance, security and data processing	2,814,940	2,938,310
Community services	-	-
Debt services	1,700,717	1,777,574
Facilities Acquisition and Construction	-	27,148
Other Intergovernmental Charges	178,679	179,921
Total expenses	27,965,870	28,126,742
Increase (Decrease) in net assets	(713,866)	512,100
Prior period adjustment	-	-
Net assets at 9/1	20,875,284	20,363,184
Net assets at 8/31	\$ 20,161,418	\$ 20,875,284

Governmental Activities. The District's total net assets decreased by \$713,866. The total cost of all programs and services was \$27,965,870. The amount that our taxpayers paid for these activities through property taxes was \$11,956,551 or 42.75%. The majority of the remainder was financed through charges for services (\$515,198), other governmental grants (\$6,285,750), or by State equalization funding (\$9,180,902) and other income items (\$27,469).

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

The District retained the same total property tax rate at \$1.27532. With the same tax rate and decreases in the total assessed valuation, total tax revenues decreased \$696,224.

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 \$3,483,355. Included in this year's total change in fund balance is a decrease of \$553,720 in the District's General Fund and a decrease in the Debt Service Fund of \$41,907.

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

The District's General Fund balance of \$3,348,300 reported on page 12 differs from the General Fund's budgetary fund balance of \$1,607,646 reported in the budgetary comparison schedule on page 16. This is principally due to an increase in state program revenues, a reduction in the actual amount of expenditures due to stringent cost controls and a reduction in the actual amount of the transfer to the debt service funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets.

At the end of 2011, the District had \$52,018,082 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 \$262,747 in capital leases payable and a balance of \$34,972,000 in bonds and tax notes for a total of \$35,234,747 versus \$36,083,561 last year for a decrease in total debt of \$848,814. 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 2011-12 budget and tax rates. The District adopted the Maintenance & Operation (M&O) tax rate of \$1.04 which kept it the same as last year, but increased the Interest & Sinking (I&S) tax rate to \$.294324 for a total District tax rate of \$1.334324 for 2011-12. The District's I&S increase was needed to maintain funds for the bond payment. The District does not expect to decrease the fund balance during the 2011-12 fiscal year. The District does expect to purchase a bus before the end of the 2011-12 fiscal year. A new baseball stadium at the high school is also under consideration.

The District's original fiscal year 2012 budget shows an increase in fund balance by the close of the 2012 in spite of unfunded mandates. The District is expecting our revenue to increase due to an increase in our ADA. However, with the previously mentioned additional expenditures, the District's budgetary General Fund balance is expected to decrease by the close of 2012.

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 INDPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2011

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,142,403
1220 Property Taxes Receivable (Delinquent)	630,379
1230 Allowance for Uncollectible Taxes	(63,038)
1240 Due from Other Governments	1,306,263
1290 Other Receivables, net	52,618
1300 Inventories	66,761
1420 Capitalized Bond and Other Debt Issuance Costs	377,034
Capital Assets:	
1510 Land	2,021,069
1520 Buildings, Net	49,140,496
1530 Furniture and Equipment, Net	856,517
1000 Total Assets	57,530,502
LIABILITIES	
2110 Accounts Payable	95,482
2140 Interest Payable	141,250
2160 Accrued Wages Payable	699,359
2180 Due to Other Governments	209,517
2200 Accrued Expenses	19,339
Noncurrent Liabilities	
2501 Due Within One Year	534,232
2502 Due in More Than One Year	35,669,905
2000 Total Liabilities	37,369,084
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	16,110,721
3820 Restricted for Federal and State Programs	61,160
3850 Restricted for Debt Service	7,734
3870 Restricted for Campus Activities	59,763
3890 Restricted for Other Purposes	73,159
3900 Unrestricted Net Assets	3,848,881
3000 Total Net Assets	\$ 20,161,418

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

GAINESVILLE INDPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011

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	\$ 14,666,563	\$ 30,291	\$ 3,966,160	\$ (10,670,112)
12 Instructional Resources and Media Services	543,635	-	33,172	(510,463)
13 Curriculum and Staff Development	242,855	-	67,416	(175,439)
21 Instructional Leadership	377,839	-	40,864	(336,975)
23 School Leadership	1,560,803	-	76,711	(1,484,092)
31 Guidance, Counseling and Evaluation Services	672,958	-	268,952	(404,006)
32 Social Work Services	158,629	-	9,750	(148,879)
33 Health Services	270,092	-	21,774	(248,318)
34 Student (Pupil) Transportation	697,924	-	29,424	(668,500)
35 Food Services	1,965,470	392,444	1,612,836	39,810
36 Extracurricular Activities	1,000,987	92,463	20,480	(888,044)
41 General Administration	1,113,779	-	74,168	(1,039,611)
51 Plant Maintenance and Operations	2,725,037	-	62,707	(2,662,330)
52 Security and Monitoring Services	17,418	-	-	(17,418)
53 Data Processing Services	72,485	-	1,336	(71,149)
72 Debt Service - Interest on Long Term Debt	1,694,040	-	-	(1,694,040)
73 Debt Service - Bond Issuance Cost and Fees	6,677	-	-	(6,677)
99 Other Intergovernmental Charges	178,679	-	-	(178,679)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 27,965,870	\$ 515,198	\$ 6,285,750	(21,164,922)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		9,168,108
DT	Property Taxes, Levied for Debt Service		2,074,577
GC	Grants and Contributions not Restricted		9,180,902
IE	Investment Earnings		22,319
MI	Miscellaneous Local and Intermediate Revenue		5,150
TR	Total General Revenues		20,451,056
CN	Change in Net Assets		(713,866)
NB	Net Assets--Beginning		20,875,284
NE	Net Assets--Ending		\$ 20,161,418

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 2,763,364	\$ 267,262	\$ 111,777	\$ 3,142,403
1220 Property Taxes - Delinquent	531,755	98,624	-	630,379
1230 Allowance for Uncollectible Taxes (Credit)	(53,176)	(9,862)	-	(63,038)
1240 Receivables from Other Governments	1,074,090	-	232,173	1,306,263
1260 Due from Other Funds	33,736	-	-	33,736
1290 Other Receivables	50,831	1,787	-	52,618
1300 Inventories	66,761	-	-	66,761
1000 Total Assets	<u>\$ 4,467,361</u>	<u>\$ 357,811</u>	<u>\$ 343,950</u>	<u>\$ 5,169,122</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 50,083	\$ -	\$ 45,399	\$ 95,482
2140 Interest Payable - Current	-	60,992	-	60,992
2160 Accrued Wages Payable	570,923	-	128,436	699,359
2170 Due to Other Funds	-	-	33,736	33,736
2180 Due to Other Governments	9,194	200,323	-	209,517
2200 Accrued Expenditures	10,281	-	9,058	19,339
2300 Deferred Revenues	478,580	88,762	-	567,342
2000 Total Liabilities	<u>1,119,061</u>	<u>350,077</u>	<u>216,629</u>	<u>1,685,767</u>
Fund Balances:				
Nonspendable Fund Balance:				
3410 Inventories	66,761	-	-	66,761
3445 Other Non-Spendable Fund Balance	-	-	66,161	66,161
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	61,160	61,160
3480 Retirement of Long-Term Debt	-	7,734	-	7,734
3600 Unassigned Fund Balance	3,281,539	-	-	3,281,539
3000 Total Fund Balances	<u>3,348,300</u>	<u>7,734</u>	<u>127,321</u>	<u>3,483,355</u>
4000 Total Liabilities and Fund Balances	<u>\$ 4,467,361</u>	<u>\$ 357,811</u>	<u>\$ 343,950</u>	<u>\$ 5,169,122</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, 2011

Total Fund Balances - Governmental Funds	\$	3,483,355
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 \$75,660,226 and the accumulated depreciation was \$22,440,181. 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.		17,136,484
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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		1,793,573
3 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,816,723)
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.		(435,271)
19 Net Assets of Governmental Activities	<u>\$</u>	<u>20,161,418</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, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 9,424,953	\$ 2,086,831	\$ 362,153	\$ 11,873,937
5800 State Program Revenues	10,108,150	-	139,996	10,248,146
5900 Federal Program Revenues	230,390	-	4,988,116	5,218,506
5020 Total Revenues	<u>19,763,493</u>	<u>2,086,831</u>	<u>5,490,265</u>	<u>27,340,589</u>
EXPENDITURES:				
Current:				
0011 Instruction	10,154,553	-	3,175,249	13,329,802
0012 Instructional Resources and Media Services	524,536	-	4,320	528,856
0013 Curriculum and Instructional Staff Development	174,288	-	68,567	242,855
0021 Instructional Leadership	353,415	-	24,424	377,839
0023 School Leadership	1,509,349	-	36,455	1,545,804
0031 Guidance, Counseling and Evaluation Services	415,399	-	247,082	662,481
0032 Social Work Services	153,022	-	-	153,022
0033 Health Services	252,519	-	7,465	259,984
0034 Student (Pupil) Transportation	560,990	-	3,113	564,103
0035 Food Services	-	-	1,888,829	1,888,829
0036 Extracurricular Activities	862,863	-	-	862,863
0041 General Administration	1,075,931	-	5,206	1,081,137
0051 Facilities Maintenance and Operations	2,740,445	-	-	2,740,445
0052 Security and Monitoring Services	17,418	-	-	17,418
0053 Data Processing Services	72,485	-	-	72,485
Debt Service:				
0071 Principal on Long Term Debt	403,812	775,000	-	1,178,812
0072 Interest on Long Term Debt	35,919	1,627,768	-	1,663,687
0073 Bond Issuance Cost and Fees	-	970	-	970
Capital Outlay:				
0081 Facilities Acquisition and Construction	556,590	-	-	556,590
Intergovernmental:				
0099 Other Intergovernmental Charges	178,679	-	-	178,679
6030 Total Expenditures	<u>20,042,213</u>	<u>2,403,738</u>	<u>5,460,710</u>	<u>27,906,661</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(278,720)</u>	<u>(316,907)</u>	<u>29,555</u>	<u>(566,072)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	275,000	951,245	1,226,245
8911 Transfers Out (Use)	(275,000)	-	(951,245)	(1,226,245)
7080 Total Other Financing Sources (Uses)	<u>(275,000)</u>	<u>275,000</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	(553,720)	(41,907)	29,555	(566,072)
0100 Fund Balance - September 1 (Beginning)	<u>3,902,020</u>	<u>49,641</u>	<u>97,766</u>	<u>4,049,427</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,348,300</u>	<u>\$ 7,734</u>	<u>\$ 127,321</u>	<u>\$ 3,483,355</u>

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

GAINESVILLE INDPENDENT 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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	(566,072)
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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		1,793,573
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.		(1,816,723)
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.		(124,644)
Change in Net Assets of Governmental Activities	\$	(713,866)

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, 2011

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	\$ 9,322,707	\$ 9,325,000	\$ 9,424,953	\$ 99,953
5800	State Program Revenues	9,975,793	9,281,196	10,108,150	826,954
5900	Federal Program Revenues	-	225,000	230,390	5,390
5020	Total Revenues	19,298,500	18,831,196	19,763,493	932,297
EXPENDITURES:					
Current:					
0011	Instruction	10,499,628	10,300,417	10,154,553	145,864
0012	Instructional Resources and Media Services	527,853	538,853	524,536	14,317
0013	Curriculum and Instructional Staff Development	166,226	166,226	174,288	(8,062)
0021	Instructional Leadership	352,865	377,401	353,415	23,986
0023	School Leadership	1,512,622	1,552,622	1,509,349	43,273
0031	Guidance, Counseling and Evaluation Services	424,714	450,000	415,399	34,601
0032	Social Work Services	144,401	154,401	153,022	1,379
0033	Health Services	252,665	282,665	252,519	30,146
0034	Student (Pupil) Transportation	602,753	622,753	560,990	61,763
0036	Extracurricular Activities	930,073	938,073	862,863	75,210
0041	General Administration	852,836	1,101,605	1,075,931	25,674
0051	Facilities Maintenance and Operations	2,653,704	2,772,807	2,740,445	32,362
0052	Security and Monitoring Services	17,000	21,879	17,418	4,461
0053	Data Processing Services	91,763	91,763	72,485	19,278
Debt Service:					
0071	Principal on Long Term Debt	178,812	434,084	403,812	30,272
0072	Interest on Long Term Debt	57,294	58,003	35,919	22,084
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	584,325	556,590	27,735
Intergovernmental:					
0099	Other Intergovernmental Charges	181,641	184,641	178,679	5,962
6030	Total Expenditures	19,446,850	20,632,518	20,042,213	590,305
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(148,350)	(1,801,322)	(278,720)	1,522,602
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(493,052)	(493,052)	(275,000)	218,052
7080	Total Other Financing Sources (Uses)	(493,052)	(493,052)	(275,000)	218,052
1200	Net Change in Fund Balances	(641,402)	(2,294,374)	(553,720)	1,740,654
0100	Fund Balance - September 1 (Beginning)	3,902,020	3,902,020	3,902,020	-
3000	Fund Balance - August 31 (Ending)	\$ 3,260,618	\$ 1,607,646	\$ 3,348,300	\$ 1,740,654

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, 2011

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 53,460
Total Assets	<u>\$ 53,460</u>
LIABILITIES	
Payroll Deductions and Withholdings Payable	\$ (171)
Due to Student Groups	53,631
Total Liabilities	<u>\$ 53,460</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, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011**

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

Additionally, the District may report the following fund types:

Governmental Funds:

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011**

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

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.
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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011**

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** – The District has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:
- **Nonspendable**-Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
 - **Restricted**-Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
 - **Committed**-Amounts that can be used only for specific purposes determined by a formal action by the Board of Trustees policy or resolution. This includes the budget reserve account.
 - **Assigned**-Amounts that are designated by the District for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Trustees.
 - **Unassigned**-All amounts not included in other spendable classifications.

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

7. **Net assets** – When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used. None of the net assets are restricted by enabling legislation.
8. **Data control codes** – The data control codes refer to the account code structure prescribed by TEA in the *FASRG*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011**

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:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value 9/1/2010</u>	<u>Change in Net Assets</u>
Land	\$ 2,021,069	\$ -	\$ 2,021,069	
Construction in Progress	-	-	-	
Buildings & Improvements	70,084,879	19,902,183	50,182,696	
Furniture & Equipment	3,554,278	2,537,998	1,016,280	
	<u>\$ 75,660,226</u>	<u>\$ 22,440,181</u>	<u>\$ 53,220,045</u>	\$ 53,220,045
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Balance 9/1/2010</u>	
Bonds Payable			\$ 34,890,000	
Maintenance Tax Notes Payable			857,000	
Capital Lease Payable			336,561	
			<u>\$ 36,083,561</u>	(36,083,561)
Net Adjustment to Net Assets				<u>\$ 17,136,484</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 reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements.

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

	<u>Amount</u>	<u>Adjustments to Net Assets</u>	<u>Adjustments to Changes in Net Assets</u>
<u>Current Year Capital Outlay</u>			
Total Capital Outlay	\$ 614,761	\$ 614,761	\$ 614,761
<u>Debt Principal Payments</u>			
Bonds Payable	\$ 445,000		
CAB's	330,000		
Maintenance Tax Notes	330,000		
Capital Lease Payable	73,812		
	<u>1,178,812</u>	<u>1,178,812</u>	<u>1,178,812</u>
Total Adjustment to Net Assets		<u>\$ 1,793,573</u>	<u>\$ 1,793,573</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, 2011**

	<u>Amount</u>	<u>Adjustments to Net Assets</u>	<u>Adjustments to Changes in Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 341,893	\$ -	\$ (341,893)
Uncollected Taxes (Assumed Collectible)			
from Current Year Levy	253,308	253,308	253,308
Uncollected Taxes (Assumed Collectible)			
from Prior Year Levy	314,034	314,034	-
Record Loss on Asset Disposal	-	-	-
<u>Reclassify Transactions From Bonds and Capital Leases</u>			
Unamortized Issuance Cost on Bonds			
-Beginning Balance	401,042	401,042	-
Current Year Amortization	24,008	(24,008)	(24,008)
Bond Issuance Costs New Issue	-	-	-
Unamortized Premium on Bonds-Beginning			
Balance	896,284	(896,284)	-
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	25,026	(25,026)	(25,026)
Unamortized Discount on Bonds			
-Beginning Balance	116,035	116,035	-
Record Amortization of Discount	5,662	(5,662)	(5,662)
Unamortized Deferred Refunding Charge			
-Beginning Balance	214,473	214,473	-
Current Year Amortization of Def Charge	12,616	(12,616)	(12,616)
New Capital Lease			
Payment of Accrued Arbitrage	-	-	-
Accrued Interest from Prior Year			
Accrued Interest from Prior Year	74,932	-	74,932
Accrued Interest from Current Year			
Accrued Interest from Current Year	80,258	(80,258)	(80,258)
Total Adjustment to Net Assets		<u>\$ (435,271)</u>	<u>\$ (124,644)</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, 2011**

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.

General Fund	Amendment
Old Junior High Asbestos Abatement	\$ 83,979
Stadium & AEP Improvements	521,478
Payoff of 2003 Tax Note	225,980
Contracted Services	130,000

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

Appropriated Budget Funds-Food Service	\$ 58,356
Nonappropriated Budget Funds	
Technology Allotment	2,574
Ready to Read License	230
Campus Activity	59,763
GISD Education Foundation	6,398
Total Special Revenue Funds	\$127,321

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures in excess of appropriations at August 31, 2011 are as follows:

General Fund	Excess
Curriculum and Instructional Staff Development	\$ 8,062

C. DEFICIT FUND EQUITY

There are no deficit fund balances at August 31, 2011.

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:

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011**

At August 31, 2011, 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 \$3,195,860 and the bank balance was \$3,314,124. The District's cash deposits at August 31, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- Depository: First State Bank
- The market value of securities pledged as of the date of the highest combined balance on deposit was \$10,130,125.
- The highest combined balances of cash, savings and time deposit accounts amounted to \$8,333,082.
- The amount of FDIC coverage at the time of the highest combined balances was \$500,000.
- The District was not underpledged at anytime during the year.

2. Investments:

The District is required by Government Code Chapter 2256, the Public Funds Investment Act to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

The District's investments at August 31, 2011 are shown below.

<u>Investment or Investment Type</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
Tex Star	N/A	\$ 619
Lone Star	N/A	772

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

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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, 2011, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated at the credit risk as follows:

Public Funds Investment Pools:

Tex Star	AAA
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b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to

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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.

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, 2011, 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	\$ 630,379
Allowance for Uncollectible Amounts	<u>(63,038)</u>
Net Property Taxes Receivable	<u>\$ 567,341</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, 2011.

C. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2011 consisted of the following individual fund balances:

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Due to Major Fund: General Fund From:	Amount	Purpose
Nonmajor Special Revenue Funds:		
Head Start	\$ 1,404	Grant funds expended, not received at year-end
ESEA Title I Part A	29,514	Grant funds expended, not received at year-end
Career and Technical-Basic Grant	1,945	Grant funds expended, not received at year-end
ESEA II D ARRA Ed Technology	873	Grant funds expended, not received at year-end
	<u>\$ 33,736</u>	

Transfers between funds during the year ended August 31, 2011 were as follows:

	Amount	Reason
Between Major Funds:		
To Debt Service Fund from:		
General Fund	275,000	To transfer funds to make debt payments
Between Nonmajor Funds:		
To Schoolwide Consolidated Funds from :		
ESEA Title I Part A	692,927	To transfer funds to consolidated fund for schoolwide program
ESEA Title II Part A	198,463	To transfer funds to consolidated fund for schoolwide program
ESEA Title II Part D	59,855	To transfer funds to consolidated fund for schoolwide program
	<u>\$ 1,226,245</u>	

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2011 were as follows:

	Governmental Activities			Total Receivables
	General Fund	Debt Service Fund	Non Major Funds	
Net Property Taxes Receivables	\$ 478,579	\$ 88,762	\$ -	\$ 567,341
Other Governments	1,074,090	-	232,173	1,306,263
Other Funds	33,736	-	-	33,736
Other Receivables	50,831	1,787	-	52,618
Total	<u>\$ 1,637,236</u>	<u>\$ 90,549</u>	<u>\$ 232,173</u>	<u>\$ 1,959,958</u>

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

Property Taxes	<u>\$ 458,579</u>	<u>\$ 83,762</u>	<u>\$ -</u>	<u>\$ 542,341</u>
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Payables at August 31, 2011 were as follows:

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	Governmental Activities			Total Payables
	General Fund	Debt Service Fund	Nonmajor Special Rev.	
Bonds and Capital Leases Payable-Current Portion	\$ -	\$ -	\$ -	\$ -
Accounts Payable	50,083	-	45,399	95,482
Salaries & Benefits	581,204	-	137,494	718,698
Other Governments	9,194	200,323	-	209,517
Other Funds	-	-	33,736	33,736
Accrued Interest	-	60,992	-	60,992
Total	<u>\$ 640,481</u>	<u>\$ 261,315</u>	<u>\$ 216,629</u>	<u>\$ 1,118,425</u>

E. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2011, 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	\$ 1,074,090	
Federal Grants	-	229,599	229,599
Total	<u>\$ 1,074,090</u>	<u>\$ 232,173</u>	<u>\$ 1,306,263</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the year ended August 31, 2011, was as follows:

Governmental Activities:	Balance 9/1/2010	Increases	Reductions	Balance 8/31/2011
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 2,021,069	-	-	\$ 2,021,069
<u>Capital Assets Being Depreciated</u>				
Buildings & Improvements	70,084,879	433,456	-	70,518,335
Furniture & Equipment	3,554,278	181,304	(148,904)	3,586,678
	<u>73,639,157</u>	<u>614,760</u>	<u>(148,904)</u>	<u>74,105,013</u>
<u>Less Accumulated Depreciation</u>				
Buildings & Improvements	19,902,183	1,475,656	-	21,377,839
Furniture & Equipment	2,537,998	341,067	(148,904)	2,730,161
	<u>22,440,181</u>	<u>1,816,723</u>	<u>(148,904)</u>	<u>24,108,000</u>
Net Capital Assets				
Being Depreciated	51,198,976	(1,201,963)	-	49,997,013
Net Capital Assets	<u>\$ 53,220,045</u>	<u>(1,201,963)</u>	<u>-</u>	<u>\$ 52,018,082</u>

Depreciation expense was charged to governmental functions as follows:

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11 Instruction	\$ 1,336,763
12 Instructional Resources and Media Services	14,779
23 School Leadership	14,999
31 Guidance, Counseling and Evaluation Services	10,477
32 Social Work Services	5,607
33 Health Services	10,108
34 Student Transportation	133,821
35 Food Services	83,819
36 Cocurricular/Extracurricular Activities	143,274
41 General Administration	32,642
51 Plant Maintenance and Operations	30,434
Total Depreciation Expense	\$ 1,816,723

G. LONG-TERM DEBT

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

Bonds and Maintenance Notes

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

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

A summary of changes in bonds and maintenance notes for the year ended August 31, 2011 is as follows:

	Tax Refunding Bonds Series 1998	Maint. Tax Notes Series 2003	Tax Refunding Bonds Series 2004	School Building Bonds Series 2006	Maint. Tax Notes Series 2007	Tax Refunding Bonds Series 2008	Totals
Balance, 9/1/2010	\$ -	\$ 330,000	\$ 4,370,000	\$ 27,935,000	\$ 527,000	\$ 2,585,000	\$ 35,747,000
New Debt	-	-	-	-	-	-	-
Less Adjustment	-	-	-	-	-	-	-
Payments-Scheduled	-	(330,000)	-	(435,000)	-	(10,000)	(775,000)
Paid from Refunding	-	-	-	-	-	-	-
Balance, 8/31/2011	-	-	4,370,000	27,500,000	527,000	2,575,000	34,972,000
Capital Appreciation Bonds	220,000	-	215,000	-	-	-	435,000
Less Future Accretion	(5,349)	-	(7,736)	-	-	-	(13,085)
Book Value of CAB's	214,651	-	207,264	-	-	-	421,915
Discount on Bonds	-	-	(58,901)	(57,134)	-	-	(116,035)
Less Current Year's Amortization	-	-	3,464	2,198	-	-	5,662
Unamortized Discount	-	-	(55,437)	(54,936)	-	-	(110,373)
Premium on Bonds	-	-	-	856,112	-	40,172	896,284
Less Current Year's Amortization	-	-	-	(32,927)	-	(3,652)	(36,579)
Unamortized Premium	-	-	-	823,185	-	36,520	859,705
Deferred Refunding Expense	-	-	(214,473)	-	-	-	(214,473)
Less Current Year Amortization	-	-	12,616	-	-	-	12,616
	-	-	(201,857)	-	-	-	(201,857)
Arbitrage Payable	-	-	-	-	-	-	-
Net Bond Carrying Balance	\$ -	\$ -	\$ 4,319,970	\$ 28,268,249	\$ 527,000	\$ 2,611,520	\$ 35,941,390
Current Portion Current Year	\$ -	\$ -	\$ -	\$ 455,000	\$ -	\$ 10,000	\$ 465,000
Interest Expense	\$ -	\$ 7,202	\$ 188,630	\$ 1,337,425	\$ 23,473	\$ 101,713	\$ 1,658,443

For the year ended August 31, 2011, the School recognized interest accretion of \$15,614 on the 1998 Capital Appreciation Bonds, \$9,412 on the 2004 Capital Appreciation Bonds.

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Future bond debt service requirements are as follows:

Year Ended			Capital Appreciation	Capital Appreciation	
August 31,	Principal	Interest	Bonds-Booked	Bonds-Future	Total
2012	465,000	1,633,251	322,679	7,321	2,428,251
2013	715,000	1,610,216	99,235	5,765	2,430,216
2014	850,000	1,579,902	-	-	2,429,902
2015	880,000	1,546,067	-	-	2,426,067
2016	920,000	1,510,589	-	-	2,430,589
2017 - 2021	5,577,000	6,912,982	-	-	12,489,982
2022 - 2026	6,675,000	5,570,399	-	-	12,245,399
2027 - 2031	8,250,000	3,840,142	-	-	12,090,142
2032 - 2036	10,640,000	1,451,856	-	-	12,091,856
Total	\$ 34,972,000	\$ 25,655,404	\$ 421,914	\$ 13,086	\$ 61,062,404

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, 2011.

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, 2011, \$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, 2011, \$2,805,000 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, 2011, \$2,555,000 of the 1998 bonds considered defeased was still outstanding.

Capital Leases

- A capital lease with Bank of America Public Capital Corp. was issued in January 2008 for the purchase of 14 copy machines in the amount of \$165,420. The lease is payable in monthly installments of \$3,163 with the final payment due in December 2012. The interest rate is 5.541%.
- A capital lease with Municipal Services Group was issued in July 2010 for the purchase of three buses in the amount of \$256,446. The lease is payable in annual installments of \$41,102 with the final payment due in September 2016. The interest rate is 3.780%.

A summary of changes in capital leases for the year ended August 31, 2011 is as follows:

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
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	Municipal Services <u>3 Buses</u>	Bank of America <u>Copy Mach.</u>	Totals
Balance, 9/1/2010	\$ 256,446	\$ 80,115	\$ 336,561
New Debt	-	-	-
Payments	(39,433)	(34,381)	(73,814)
Balance, 8/31/2011	<u>\$ 217,013</u>	<u>\$ 45,734</u>	<u>\$ 262,747</u>
Current Portion	<u>\$ 32,899</u>	<u>\$ 36,333</u>	<u>\$ 69,232</u>
Current Year			
Interest Expense	<u>\$ 1,669</u>	<u>\$ 3,575</u>	<u>\$ 5,244</u>

Future capital lease requirements are as follows:

Year Ended August 31,	Principal	Interest	Total
2012	69,232	9,824	\$ 79,056
2013	43,545	7,046	50,591
2014	35,433	5,669	41,102
2015	36,772	4,330	41,102
2016	38,162	2,940	41,102
2016-2020	39,603	1,497	41,100
Total	<u>\$ 262,747</u>	<u>\$ 31,306</u>	<u>\$ 294,053</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 \$16,877. Minimum future annual requirements as of August 31, 2011 are as follows:

Year Ended August 31,	Amount
2011	13,653
2012	15,101
2013	13,570
2014	5,130
2015	-
Thereafter	-
Total	<u>\$ 47,454</u>

I. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Special Rev. Funds	Totals
Net Tax Revenue	\$ 478,580	\$ -	\$ 88,762	\$ 567,342

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

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

	General Fund	Debt Service Fund	Nonmajor Special Rev. Funds	Totals
Property Taxes	\$ 9,178,745	\$ 2,072,511	\$ -	\$11,251,256
Penalties & Interest on Property	67,451	12,564	-	80,015
Services to Other Districts	-	-	-	-
Tuition & Fees	-	-	-	-
Investment Income	20,562	1,756	-	22,318
Rent	-	-	-	-
Gifts & Bequests	5,150	-	-	5,150
Insurance Recovery	-	-	-	-
Food Sales	-	-	305,923	305,923
Co-Curricular Student Activities	92,463	-	56,230	148,693
Other Revenues	60,582	-	-	60,582
	<u>\$ 9,424,953</u>	<u>\$ 2,086,831</u>	<u>\$ 362,153</u>	<u>\$11,873,937</u>

V. OTHER INFORMATION

A. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

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

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

B. PENSION PLAN

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

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
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Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2011, 2010 and 2009, and state contribution rate of 6.644% for fiscal years 2011, 2010 and 2009.

State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2011, 2010, and 2009 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, 2011, 2010, and 2009, as shown on the table.

	For the Years Ended August 31,		
	2011	2010	2009
TRS On Behalf	\$ 900,021	\$ 940,737	\$ 960,000
Additional Contributions	115,133	83,349	82,862

C. MEDICARE PART D

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are shown on the table following:

	For the Years Ended August 31,		
	2011	2010	2009
TRS On Behalf Medicare Part D	44,558	39,923	34,826

D. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than .75% of the salary of each active employee of the public school. The amounts are reflected on the following table:

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011**

	For the Years Ended August 31,		
	2011	2010	2009
State's Contributions	\$ 156,135	\$ 152,331	\$ 158,055
Employee Contributions	101,487	99,015	102,735
District Contributions	85,874	83,782	86,930

E. HEALTH CARE COVERAGE

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

During the year ended August 31, 2011, the District paid premiums of \$292 per month per employee to the Plan (employees, at their own option, may authorize payroll withholdings to pay premiums for dependents). "Employee" means a participating member of the Teacher Retirement System of Texas who is employed by a participating entity.

F. RELATED ORGANIZATIONS

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

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

G. SUBSEQUENT EVENT

The District's management has evaluated subsequent events through December 31, 2011, the date which the financial statements were available for issue.

COMBINING STATEMENTS

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
ASSETS			
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240 Receivables from Other Governments	23,616	66,982	22,593
1000 Total Assets	<u>\$ 23,616</u>	<u>\$ 66,982</u>	<u>\$ 22,593</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 364	\$ -	\$ -
2160 Accrued Wages Payable	19,942	34,246	20,634
2170 Due to Other Funds	1,404	29,514	-
2200 Accrued Expenditures	1,906	3,222	1,959
2000 Total Liabilities	<u>23,616</u>	<u>66,982</u>	<u>22,593</u>
Fund Balances:			
Nonspendable Fund Balance:			
3445 Other Non-Spendable Fund Balance	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 23,616</u>	<u>\$ 66,982</u>	<u>\$ 22,593</u>

225	240	242	244	255	263	266	270
IDEA - Part B Preschool	National Breakfast and Lunch Program	Summer Feeding Program	Career and Technical - Basic Grant	ESEA II,A Training and Recruiting	Title III, A English Lang. Acquisition	Title XIV ARRA State Stabilization	ESEA VI, Pt B Rural & Low Income
\$ -	\$ 45,386	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
852	67,831	-	1,945	9,837	3,527	-	-
<u>\$ 852</u>	<u>\$ 113,217</u>	<u>\$ -</u>	<u>\$ 1,945</u>	<u>\$ 9,837</u>	<u>\$ 3,527</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 45,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
788	9,651	-	-	8,980	3,218	-	-
-	-	-	1,945	-	-	-	-
64	175	-	-	857	309	-	-
<u>852</u>	<u>54,861</u>	<u>-</u>	<u>1,945</u>	<u>9,837</u>	<u>3,527</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	58,356	-	-	-	-	-	-
-	58,356	-	-	-	-	-	-
<u>\$ 852</u>	<u>\$ 113,217</u>	<u>\$ -</u>	<u>\$ 1,945</u>	<u>\$ 9,837</u>	<u>\$ 3,527</u>	<u>\$ -</u>	<u>\$ -</u>

GAINESVILLE INDPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	873	-	-
1000	Total Assets	<u>\$ 873</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	Accounts Payable	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-
2170	Due to Other Funds	873	-	-
2200	Accrued Expenditures	-	-	-
2000	Total Liabilities	<u>873</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable Fund Balance:				
3445	Other Non-Spendable Fund Balance	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 873</u>	<u>\$ -</u>	<u>\$ -</u>

287	288	289	394	404	411	429	461
Education Jobs Fund	Summer School LEP	Schoolwide Consolidated Funds	Life Skills Program	Student Success Initiative	Technology Allotment	Ready To Read License	Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 230	\$ 59,763
31,543	-	-	-	-	2,574	-	-
<u>\$ 31,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,574</u>	<u>\$ 230</u>	<u>\$ 59,763</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30,977	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
566	-	-	-	-	-	-	-
<u>31,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	59,763
-	-	-	-	-	2,574	230	-
-	-	-	-	-	2,574	230	59,763
<u>\$ 31,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,574</u>	<u>\$ 230</u>	<u>\$ 59,763</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	499 GISD Education Foundation	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 6,398	\$ 111,777
1240 Receivables from Other Governments	-	232,173
1000 Total Assets	<u>\$ 6,398</u>	<u>\$ 343,950</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
2110 Accounts Payable	\$ -	\$ 45,399
2160 Accrued Wages Payable	-	128,436
2170 Due to Other Funds	-	33,736
2200 Accrued Expenditures	-	9,058
2000 Total Liabilities	<u>-</u>	<u>216,629</u>
Fund Balances:		
Nonspendable Fund Balance:		
3445 Other Non-Spendable Fund Balance	6,398	66,161
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	61,160
3000 Total Fund Balances	<u>6,398</u>	<u>127,321</u>
4000 Total Liabilities and Fund Balances	<u>\$ 6,398</u>	<u>\$ 343,950</u>

GAINESVILLE INDPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	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	398,127	874,232	742,257
5020 Total Revenues	<u>398,127</u>	<u>874,232</u>	<u>742,257</u>
EXPENDITURES:			
Current:			
0011 Instruction	385,044	124,513	536,128
0012 Instructional Resources and Media Services	-	-	-
0013 Curriculum and Instructional Staff Development	2,907	45,795	-
0021 Instructional Leadership	-	10,997	-
0023 School Leadership	2,711	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	206,129
0033 Health Services	7,465	-	-
0034 Student (Pupil) Transportation	-	-	-
0035 Food Services	-	-	-
0041 General Administration	-	-	-
6030 Total Expenditures	<u>398,127</u>	<u>181,305</u>	<u>742,257</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>692,927</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	-	(692,927)	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>(692,927)</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
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 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	270 ESEA VI, Pt B Rural & Low Income
\$ -	\$ 305,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	29,439	-	-	-	-	-	-
13,639	1,563,677	19,722	46,070	208,300	76,809	712,386	53,444
13,639	1,899,038	19,722	46,070	208,300	76,809	712,386	53,444
13,639	-	-	20,602	9,837	3,527	712,386	53,444
-	-	-	-	-	-	-	-
-	-	-	-	-	13,427	-	-
-	-	-	-	-	-	-	-
-	-	-	25,468	-	-	-	-
-	-	-	-	-	-	-	-
-	1,869,107	19,722	-	-	-	-	-
-	-	-	-	-	-	-	-
13,639	1,869,107	19,722	46,070	9,837	16,954	712,386	53,444
-	29,931	-	-	198,463	59,855	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(198,463)	(59,855)	-	-
-	-	-	-	(198,463)	(59,855)	-	-
-	29,931	-	-	-	-	-	-
-	28,425	-	-	-	-	-	-
\$ -	\$ 58,356	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GAINESVILLE INDPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	873	237,023	2,429	4,362
5020	Total Revenues	<u>873</u>	<u>237,023</u>	<u>2,429</u>	<u>4,362</u>
EXPENDITURES:					
Current:					
0011	Instruction	873	221,538	2,429	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	4,362
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	15,485	-	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0041	General Administration	-	-	-	-
6030	Total Expenditures	<u>873</u>	<u>237,023</u>	<u>2,429</u>	<u>4,362</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	-
8911	Transfers Out (Use)	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

287	288	289	394	404	411	429	461
Education Jobs Fund	Summer School LEP	Schoolwide Consolidated Funds	Life Skills Program	Student Success Initiative	Technology Allotment	Ready To Read License	Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,231
-	-	-	-	36,853	73,638	66	-
31,543	3,223	-	-	-	-	-	-
31,543	3,223	-	-	36,853	73,638	66	56,231
31,543	3,223	948,503	-	33,740	63,907	66	9,551
-	-	-	-	-	4,320	-	-
-	-	2,742	-	-	12,761	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	33,744
-	-	-	-	-	-	-	-
-	-	-	-	3,113	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,206
31,543	3,223	951,245	-	36,853	80,988	66	48,501
-	-	(951,245)	-	-	(7,350)	-	7,730
-	-	951,245	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	951,245	-	-	-	-	-
-	-	-	-	-	(7,350)	-	7,730
-	-	-	-	-	9,924	230	52,033
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,574	\$ 230	\$ 59,763

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	499 GISD Education Foundation	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ -	\$ 362,153
5800 State Program Revenues	-	139,996
5900 Federal Program Revenues	-	4,988,116
5020 Total Revenues	<u>-</u>	<u>5,490,265</u>
EXPENDITURES:		
Current:		
0011 Instruction	756	3,175,249
0012 Instructional Resources and Media Services	-	4,320
0013 Curriculum and Instructional Staff Development	-	68,567
0021 Instructional Leadership	-	24,424
0023 School Leadership	-	36,455
0031 Guidance, Counseling and Evaluation Services	-	247,082
0033 Health Services	-	7,465
0034 Student (Pupil) Transportation	-	3,113
0035 Food Services	-	1,888,829
0041 General Administration	-	5,206
6030 Total Expenditures	<u>756</u>	<u>5,460,710</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(756)</u>	<u>29,555</u>
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	-	951,245
8911 Transfers Out (Use)	-	(951,245)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	(756)	29,555
0100 Fund Balance - September 1 (Beginning)	<u>7,154</u>	<u>97,766</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 6,398</u>	<u>\$ 127,321</u>

REQUIRED TEA SCHEDULES

GAINESVILLE INDPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ 5,429,682,027
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	1.040000	0.235320	877,062,375
2010	1.040000	0.235320	930,054,794
2011 (School year under audit)	1.040000	0.235320	881,992,781
1000 TOTALS			

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 88,755	\$ -	\$ 1,009	\$ 90	\$ (38,835)	\$ 48,821
25,671	-	914	46	(212)	24,499
22,082	-	1,150	42	(286)	20,604
20,802	-	2,284	84	(782)	17,652
24,374	-	3,253	119	(612)	20,390
37,834	-	6,162	1,522	(287)	29,863
61,185	-	22,489	5,307	(529)	32,860
145,182	-	57,451	13,014	(20,621)	54,096
302,923	-	96,625	21,863	(56,148)	128,287
-	11,248,230	8,907,398	2,015,645	(71,880)	253,307
<u>\$ 728,808</u>	<u>\$ 11,248,230</u>	<u>\$ 9,098,735</u>	<u>\$ 2,057,732</u>	<u>\$ (190,192)</u>	<u>\$ 630,379</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2011

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	\$ 3,147	\$ -	\$ 260,213	\$ 415,218	\$ 3,259	\$ -	\$ 681,837
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	2,214	14,092	1,250	-	-	17,556
6212	Audit Services	-	-	-	35,977	-	-	35,977
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	230,318	-	-	-	-	230,318
621X	Other Professional Services	8,499	-	127,292	78,439	-	-	214,230
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	37,422	-	-	37,422
6240	Contr. Maint. and Repair	-	-	-	463	-	-	463
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	20,309	-	-	20,309
6290	Miscellaneous Contr.	-	-	1,016	2,778	-	-	3,794
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,067	-	1,768	22,015	-	-	24,850
6410	Travel, Subsistence, Stipends	3,401	-	1,075	9,358	-	-	13,834
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	3,505	-	-	-	-	-	3,505
6490	Miscellaneous Operating	7,998	-	11,252	8,907	-	-	28,157
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 27,617	\$ 232,532	\$ 416,708	\$ 632,136	\$ 3,259	\$ -	\$ 1,312,252

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 25,502,923

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$	614,761
Total Debt & Lease(6500)	(11)	439,731
Plant Maintenance (Function 51, 6100-6400)	(12)	2,694,603
Food (Function 35, 6341 and 6499)	(13)	-
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		632,136

SubTotal:

4,381,231

Net Allowed Direct Cost

\$ 21,121,692

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$	70,518,335
Historical Cost of Building over 50 years old	(16) \$	10,525,000
Amount of Federal Money in Building Cost (Net of #16)	(17) \$	-
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$	3,735,582
Historical Cost of Furniture & Equipment over 16 years old	(19) \$	277,443
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$	-

(8) NOTE A: \$52,436 in Function 53 expenditures are included in this report on administrative costs.

\$178,679 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

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, 2011

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	\$ 359,655	\$ 300,000	\$ 305,922	\$ 5,922
5800	State Program Revenues	11,349	9,716	29,439	19,723
5900	Federal Program Revenues	1,498,339	1,491,000	1,563,677	72,677
5020	Total Revenues	1,869,343	1,800,716	1,899,038	98,322
EXPENDITURES:					
0035	Food Services	1,867,249	1,875,509	1,869,107	6,402
6030	Total Expenditures	1,867,249	1,875,509	1,869,107	6,402
1200	Net Change in Fund Balances	2,094	(74,793)	29,931	104,724
0100	Fund Balance - September 1 (Beginning)	28,424	28,425	28,425	-
3000	Fund Balance - August 31 (Ending)	\$ 30,518	\$ (46,368)	\$ 58,356	\$ 104,724

GAINESVILLE INDPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,913,143	\$ 2,154,767	\$ 2,086,831	\$ (67,936)
5020	Total Revenues	1,913,143	2,154,767	2,086,831	(67,936)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	775,000	775,000	775,000	-
0072	Interest on Long Term Debt	1,627,768	1,628,742	1,627,768	974
0073	Bond Issuance Cost and Fees	3,427	1,024	970	54
6030	Total Expenditures	2,406,195	2,404,766	2,403,738	1,028
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(493,052)	(249,999)	(316,907)	(66,908)
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	493,052	493,052	275,000	(218,052)
7080	Total Other Financing Sources (Uses)	493,052	493,052	275,000	(218,052)
1200	Net Change in Fund Balances	-	243,053	(41,907)	(284,960)
0100	Fund Balance - September 1 (Beginning)	49,641	49,641	49,641	-
3000	Fund Balance - August 31 (Ending)	\$ 49,641	\$ 292,694	\$ 7,734	\$ (284,960)

FEDERAL AWARDS SECTION



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gainesville Independent School District, as of and for the year ended August 31, 2011, which collectively comprise the Gainesville Independent School District's basic financial statements and have issued our report thereon dated December 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Gainesville Independent School District, in a separate letter dated December 31, 2011.

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

Schalk & Smith P. C.

December 31, 2011

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

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

Compliance

We have audited the compliance of Gainesville Independent School District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2011. Gainesville Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Gainesville Independent School District's management. Our responsibility is to express an opinion on Gainesville Independent School District's compliance based on our audit.

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

In our opinion, Gainesville Independent School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2011.

Internal Control Over Compliance

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

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

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

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

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

Schalk & Smith PC

Schalk & Smith, P.C.
December 31, 2011

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011

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 :

State Fiscal Stabilization Fund	84.394
Special Education Cluster	84.027; 84.173; 84.391; 84.392
Title I, Part A Cluster	84.010; 84.398
- 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, 2011

N/A

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

(Prepared by the District's Administration)

N/A

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

(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	11610101049901	\$ 807,250
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101049901	66,982
Total CFDA Number 84.010A			874,232
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389	10555001049901	4,362
Total Title I, Part A Cluster			878,594
*IDEA - Part B, Formula	84.027	116600010499016600	719,665
*IDEA - Part B, Formula	84.027	126600010499016600	22,592
Total CFDA Number 84.027			742,257
*IDEA - Part B, Preschool	84.173	116610010499016610	12,788
*IDEA - Part B, Preschool	84.173	126610010499016610	851
Total CFDA Number 84.173			13,639
*IDEA, Part B, Formula - ARRA	84.391	10554001049901	237,023
*IDEA, Part B, Preschool - ARRA	84.392	10554001049901	2,429
Total Special Education Cluster (IDEA)			995,348
Career and Technical - Basic Grant	84.048	11420006049901	44,124
Career and Technical - Basic Grant	84.048	12420006049901	1,946
Total CFDA Number 84.048			46,070
*Title II D Enhancing Ed Through Technology - ARRA	84.386	10553001049901	873
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	11696001049901	53,444
Title III, Part A - English Language Acquisition	84.365A	11671001049901	73,282
Title III, Part A - English Language Acquisition	84.365A	12671001049901	3,527
Total CFDA Number 84.365A			76,809
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11694501049901	198,463
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501049901	9,837
Total CFDA Number 84.367A			208,300
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11557001049901	712,386
Education Jobs Fund	84.410	11550101049901	31,543
Summer School LEP	FD288	S369A090045	3,223
Total Passed Through State Department of Education			\$ 3,006,590
TOTAL DEPARTMENT OF EDUCATION			\$ 3,006,590
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	Unknown	\$ 230,390
Total Passed Through Texas Dept of Human Services			\$ 230,390
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH7009/10	\$ 97,656
Head Start	93.600	06CH7010/11	300,471
Total CFDA Number 93.600			398,127
Total Passed Through State Department of Education			\$ 398,127
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 628,517

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2011

(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 AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	Unknown	\$ 482,417
*National School Lunch Program - Cash Assistance	10.555	Unknown	992,118
*National School Lunch Prog. - Non-Cash Assistance	10.555	Unknown	89,142
Total CFDA Number 10.555			1,081,260
*Summer Feeding Program - Cash Assistance	10.559	Unknown	19,722
Total Child Nutrition Cluster			1,583,399
Total Passed Through the State Department of Agriculture			\$ 1,583,399
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,583,399
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,218,506

*Clustered Programs

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

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.