

**GAINESVILLE INDEPENDENT
SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2016**

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GAINESVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Certificate of Board	1
	Independent Auditor's Report	2-3
	Management's Discussion and Analysis	4-9
	<u>Basic Financial Statements</u>	
	Government Wide Statements:	
A-1	Statement of Net Position	10
B-1	Statement of Activities	11
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	12
C-2	Reconciliation for C-1	13
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	14
C-4	Reconciliation for C-3	15
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	16
	Notes to the Financial Statements	17-37
	<u>Required Supplementary Information</u>	
G-1	General Fund – Budgetary Comparison Schedule	38
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	39
G-3	Schedule of District Contributions to TRS	40
	Notes to Required Supplementary Information	41
	<u>Combining Statements</u>	
	Nonmajor Governmental Funds:	
H-1	Combining Balance Sheet	42-45
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	46-49
	<u>Required TEA Schedules</u>	
J-1	Schedule of Delinquent Taxes	50-51
J-2	Budgetary Comparison Schedule - Child Nutrition Fund	52
J-3	Budgetary Comparison Schedule - Debt Service Fund	53
	<u>Federal Awards Section</u>	
	Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54-55
	Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	56-57
	Schedule of Findings and Questioned Costs	58
	Schedule of Status of Prior Findings	59
	Corrective Action Plan	60
K-1	Schedule of Expenditures of Federal Awards	61
	Notes to Schedule of Expenditures of Federal Awards	62
L	Schools First Questionnaire	63

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
 Gainesville Independent School District
 Gainesville, TX

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gainesville Independent School District (the District), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gainesville Independent School District, as of August 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 9), budgetary comparison information, schedules of TRS net pension liability and District's TRS contributions (pages 38 through 41) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

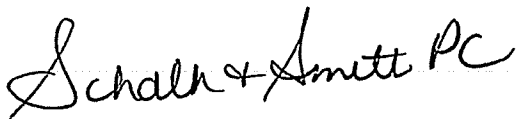
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2016, on our consideration of the Gainesville Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gainesville Independent School District's internal control over financial reporting and compliance.



Schalk & Smith, P.C.
December 31, 2016

GAINESVILLE INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Gainesville Independent School District (the "District"), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2016. Please read it in conjunction with the independent auditor's report on pages 2 and 3 and the District's Basic Financial Statements that begin on page 10.

FINANCIAL HIGHLIGHTS

- The District's combined net position was \$28,383,977 at August 31, 2016, an increase of \$2,014,359.
- During the year, the District had revenues totaling \$31,924,923 and expenses that totaled \$29,910,564.
- The cost of all the District's programs was \$29,910,564.
- The General Funds ended the year with a fund balance of \$11,919,201 .

USING THIS ANNUAL REPORT

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

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

The notes to the financial statements (starting on page 22) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Position on page 21. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

exceeded liabilities and deferred inflows of resources by \$28,383,977, which represented an increase of \$2,014,359 over the prior year net position of \$26,369,618. Unrestricted net position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$10,277,876 at August 31, 2016.

Table I
NET POSITION

	Governmental Activities 2016	Governmental Activities 2015
Current and other assets	\$ 15,790,181	\$ 14,470,335
Capital assets	50,483,071	49,287,172
Total assets	66,273,252	63,757,507
Deferred outflows of resources	4,217,905	2,504,195
Long-term liabilities	38,268,719	36,618,363
Other liabilities	3,422,157	2,410,535
Total liabilities	41,690,876	39,028,898
Deferred inflows of resources	416,304	863,186
Net position		
Invested in capital assets net of related debt	16,668,427	15,940,956
Restricted	1,437,674	1,031,349
Unrestricted	10,277,876	9,397,313
Total net position	\$ 28,383,977	\$ 26,369,618

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 \$16,668,427. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's total net position in the amount of \$1,437,674. (approximately 5.07%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$10,277,876) may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term commitments* that are less than currently available resources.

Governmental activities. The District's total net position increased by \$2,014,359. The total cost of all governmental activities was \$29,910,564, which was \$2,757,909 (10.15%) higher than the previous year.

Table II
Changes in Net Position

	Governmental Activities 2016	Governmental Activities 2015
Revenues:		
Program Revenues:		
Charges for Services	\$ 574,758	\$ 609,281
Operating grants and contributions	6,459,071	5,836,652
General Revenues		
Maintenance and operations taxes	10,397,904	10,341,565
Debt Service taxes	2,402,033	2,381,999
Grants and Contributions not restricted to specific functions	12,035,405	11,121,578
Investment Earnings	55,752	75,099
Miscellaneous	-	2,963
Total Revenue	<u>31,924,923</u>	<u>30,369,137</u>
Expenses:		
Instruction, curriculum and media services	16,728,804	15,153,891
Instructional and school leadership	2,094,909	1,837,310
Student support services	1,871,506	1,756,076
Child nutrition	2,395,596	2,182,879
Co-curricular activities	1,188,408	1,063,357
General Administration	935,013	852,860
Plant maintenance, security & data processing	3,312,103	2,711,000
Facilities Acquisition & Construction	-	-
Debt services	1,187,488	1,404,156
Other Intergovernmental Charges	196,737	191,126
Total Expenses	<u>29,910,564</u>	<u>27,152,655</u>
Increase in net position	2,014,359	3,216,482
Net position at 9/1	26,369,618	26,350,206
Prior period adjustment	-	(3,197,070)
Net position at 8/31	<u>\$ 28,383,977</u>	<u>\$ 26,369,618</u>

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

- The District kept the total property tax rates at \$1.28 per \$100 of valuation for the current year. There was a small decrease in assessed valuation resulted in a slight decrease in tax revenues from the previous year of \$242,180. State funding increased by \$913,827 during the current year.
- However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through District taxes was \$10,785,578 because some of the costs were paid by those who directly benefited from the programs (\$574,758) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,459,071) or by other miscellaneous sources and investment earnings (\$55,752) or by State equalization funding (\$12,035,405).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12 & 13) reported a combined fund balance of \$13,356,875, which is higher than last year's total of \$12,986,304. Unassigned fund balance represents a large portion of total fund balances (\$11,888,275 or 89%) and is available for future spending or unanticipated events such as state funding uncertainties, increased student enrollment, wide swings in total property tax values, future salary increases or unexpected lawsuits. The remainder of fund balance (\$1,468,600 or 11%) is not available for new spending because it has already been restricted or committed for debt retirement, food service and unspent grants.

The General Fund is the primary operating fund of the District. At August 31, 2016, the General Fund had unassigned fund balances of \$11,888,275 and total fund balances of \$11,191,201. As a measure of the General Fund's liquidity, it is useful to compare both fund balance amounts to total fund expenditures (\$24,486,674). Unassigned fund balance and total fund balance represent 48.5% and 48.7% of total General Fund expenditures, respectively. The unassigned fund balance represents nearly six months of annual General Fund expenditures.

Total General Fund fund balance decreased by \$35,754 during the fiscal year. Key factors related to this change include:

- Extensive roof maintenance projects
- Field house project

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2015). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. The third category is amendments for unexpected events.

The District made significant amendments to budgeted expenditures as follows:

- Roofing & field house project \$2,463,964

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had \$50,483,071 (net of depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The District's major capital asset purchases for the year were roof improvements (\$1,990,525), Parking lot improvements (\$199,052), 5 buses (\$439,950), and field house improvements (\$55,579). More detailed information about the District's capital assets is presented in Note IV-F to the financial statements. The District had the following capital assets at August 31, 2016 and 2015:

	2016	2015
Land	\$ 2,021,077	\$ 2,021,077
Buildings and improvements, net	47,174,059	46,237,718
Furniture and equipment, net	1,287,935	1,028,377
Total	<u>\$ 50,483,071</u>	<u>\$ 49,287,172</u>

Debt

At year-end, the District had \$34,022,119 in bonds, tax notes and capital leases outstanding versus

\$35,053,762 last year—a decrease of 2.94%. 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 2017 budget and tax rates. The primary consideration was setting a tax rate within the limits allowed by the Texas state legislature. The maintenance and operations rate was set at \$1.17 per \$100 of valuation and the interest and sinking rate was set at \$0.11 per 100 of valuation. With this rate, the District expects to collect approximately \$11,290,419 for maintenance and operations.
- State funding is expected to increase slightly due to the tax swap from I&S to M&O.
- The District has discussed the following capital activity for fiscal year 2017: technology upgrades, purchase of band uniforms, purchase of bus, band hall at Lee Intermediate and multipurpose facility at the high school.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 13,319,791
1220 Property Taxes Receivable (Delinquent)	452,583
1230 Allowance for Uncollectible Taxes	(45,258)
1240 Due from Other Governments	2,022,787
1290 Other Receivables, net	9,352
1300 Inventories	30,926
Capital Assets:	
1510 Land	2,021,077
1520 Buildings, Net	47,174,059
1530 Furniture and Equipment, Net	1,287,935
1000 Total Assets	66,273,252
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,620,440
1705 Deferred Outflow Related to TRS	2,597,465
1700 Total Deferred Outflows of Resources	4,217,905
LIABILITIES	
2110 Accounts Payable	776,049
2140 Interest Payable	109,769
2160 Accrued Wages Payable	1,154,001
2200 Accrued Expenses	34,940
Noncurrent Liabilities	
2501 Due Within One Year	1,347,398
2502 Due in More Than One Year	32,674,721
2540 Net Pension Liability (District's Share)	5,593,998
2000 Total Liabilities	41,690,876
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	416,304
2600 Total Deferred Inflows of Resources	416,304
NET POSITION	
3200 Net Investment in Capital Assets	16,668,427
3820 Restricted for Federal and State Programs	684,780
3850 Restricted for Debt Service	676,432
3870 Restricted for Campus Activities	76,462
3900 Unrestricted	10,277,876
3000 Total Net Position	\$ 28,383,977

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 15,621,444	\$ 95,235	\$ 3,487,866	\$ (12,038,343)
12 Instructional Resources and Media Services	576,914	27,966	42,970	(505,978)
13 Curriculum and Staff Development	530,446	-	251,097	(279,349)
21 Instructional Leadership	408,553	-	21,953	(386,600)
23 School Leadership	1,686,356	46,611	183,287	(1,456,458)
31 Guidance, Counseling and Evaluation Services	695,570	-	90,508	(605,062)
32 Social Work Services	185,375	-	16,455	(168,920)
33 Health Services	343,294	-	56,316	(286,978)
34 Student (Pupil) Transportation	647,267	-	42,449	(604,818)
35 Food Services	2,395,596	256,424	2,077,221	(61,951)
36 Extracurricular Activities	1,188,408	40,344	40,159	(1,107,905)
41 General Administration	935,013	1,332	47,891	(885,790)
51 Facilities Maintenance and Operations	3,208,613	106,846	100,646	(3,001,121)
52 Security and Monitoring Services	22,660	-	255	(22,405)
53 Data Processing Services	80,830	-	-	(80,830)
72 Debt Service - Interest on Long Term Debt	1,097,502	-	-	(1,097,502)
73 Debt Service - Bond Issuance Cost and Fees	89,986	-	-	(89,986)
99 Other Intergovernmental Charges	196,737	-	-	(196,737)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 29,910,564	\$ 574,758	\$ 6,459,071	(22,876,735)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	10,397,904
DT	Property Taxes, Levied for Debt Service	2,402,033
GC	Grants and Contributions not Restricted	12,035,405
IE	Investment Earnings	55,752
TR	Total General Revenues	24,891,094
CN	Change in Net Position	2,014,359
NB	Net Position - Beginning	26,369,618
NE	Net Position--Ending	\$ 28,383,977

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 11,925,833	\$ 1,393,958	\$ 13,319,791
1220 Property Taxes - Delinquent	367,796	84,787	452,583
1230 Allowance for Uncollectible Taxes (Credit)	(36,780)	(8,478)	(45,258)
1240 Receivables from Other Governments	1,643,205	379,582	2,022,787
1260 Due from Other Funds	71,214	-	71,214
1290 Other Receivables	7,583	1,769	9,352
1300 Inventories	30,926	-	30,926
1000 Total Assets	<u>\$ 14,009,777</u>	<u>\$ 1,851,618</u>	<u>\$ 15,861,395</u>
LIABILITIES			
2110 Accounts Payable	\$ 766,830	\$ 9,219	\$ 776,049
2140 Interest Payable - Current	-	60,992	60,992
2160 Accrued Wages Payable	974,351	179,650	1,154,001
2170 Due to Other Funds	-	71,214	71,214
2200 Accrued Expenditures	18,379	16,561	34,940
2300 Unearned Revenues	331,016	76,308	407,324
2000 Total Liabilities	<u>2,090,576</u>	<u>413,944</u>	<u>2,504,520</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	30,926	-	30,926
3445 Other Non-Spendable Fund Balance	-	76,462	76,462
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	684,780	684,780
3480 Retirement of Long-Term Debt	-	676,432	676,432
3600 Unassigned Fund Balance	11,888,275	-	11,888,275
3000 Total Fund Balances	<u>11,919,201</u>	<u>1,437,674</u>	<u>13,356,875</u>
4000 Total Liabilities and Fund Balances	<u>\$ 14,009,777</u>	<u>\$ 1,851,618</u>	<u>\$ 15,861,395</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2016

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	13,356,875
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 \$78,138,701 and the accumulated depreciation was (\$28,851,529). 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 decrease net position.		16,668,426
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 2016 capital outlays and debt principal payments is to decrease net position.		4,320,001
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of 5,593,998, a Deferred Resource Inflow related to TRS in the amount of \$416,304 and a Deferred Resource Outflow related to TRS in the amount of \$2,597,465. This amounted to a decrease in Net Position in the amount of \$3,412,837.		(3,412,837)
4 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,777,465)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		(771,023)
19 Net Position of Governmental Activities	\$	28,383,977

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, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 10,611,758	\$ 2,797,876	\$ 13,409,634
5800 State Program Revenues	12,909,738	380,712	13,290,450
5900 Federal Program Revenues	489,474	4,212,193	4,701,667
5020 Total Revenues	<u>24,010,970</u>	<u>7,390,781</u>	<u>31,401,751</u>
EXPENDITURES:			
Current:			
0011 Instruction	11,715,475	1,972,786	13,688,261
0012 Instructional Resources and Media Services	520,668	19,578	540,246
0013 Curriculum and Instructional Staff Development	269,715	235,756	505,471
0021 Instructional Leadership	386,242	10,983	397,225
0023 School Leadership	1,509,901	88,377	1,598,278
0031 Guidance, Counseling and Evaluation Services	617,074	36,501	653,575
0032 Social Work Services	177,084	-	177,084
0033 Health Services	280,724	37,131	317,855
0034 Student (Pupil) Transportation	980,464	-	980,464
0035 Food Services	-	2,292,718	2,292,718
0036 Extracurricular Activities	1,020,240	215	1,020,455
0041 General Administration	892,701	7,795	900,496
0051 Facilities Maintenance and Operations	3,135,312	-	3,135,312
0052 Security and Monitoring Services	15,909	-	15,909
0053 Data Processing Services	80,830	-	80,830
Debt Service:			
0071 Principal on Long Term Debt	226,637	1,120,000	1,346,637
0072 Interest on Long Term Debt	59,364	1,159,704	1,219,068
0073 Bond Issuance Cost and Fees	(32)	2,912	2,880
Capital Outlay:			
0081 Facilities Acquisition and Construction	2,401,629	-	2,401,629
Intergovernmental:			
0099 Other Intergovernmental Charges	196,737	-	196,737
6030 Total Expenditures	<u>24,486,674</u>	<u>6,984,456</u>	<u>31,471,130</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(475,704)	406,325	(69,379)
OTHER FINANCING SOURCES (USES):			
7913 Capital Leases	439,950	-	439,950
1200 Net Change in Fund Balances	(35,754)	406,325	370,571
0100 Fund Balance - September 1 (Beginning)	<u>11,954,955</u>	<u>1,031,349</u>	<u>12,986,304</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 11,919,201</u>	<u>\$ 1,437,674</u>	<u>\$ 13,356,875</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	370,571
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 2016 capital outlays and debt principal payments is to decrease net position.		4,320,001
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,777,465)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(374,209)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$475,273. Contributions made before the measurement but during the 2015 FY were also de-expended and recorded as a reduction in the net pension liability for the district. This also caused a decrease in the change in net position in the amount of \$468,591. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$531,221. The impact of all of these is to decrease the change in net position by \$524,539.		(524,539)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>2,014,359</u>

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 63,547
Total Assets	<u>\$ 63,547</u>
LIABILITIES	
Payroll Deductions and Withholdings Payable	\$ 795
Due to Student Groups	<u>62,752</u>
Total Liabilities	<u>\$ 63,547</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, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

As of August 31, 2016, the District retrospectively/prospectively applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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

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

C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING

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

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

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

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

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

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

D. FUND ACCOUNTING

The District reports the following major governmental fund:

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

Additionally, the District reports the following fund types:

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

Governmental Funds:

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

Fiduciary Funds:

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

E. OTHER ACCOUNTING POLICIES

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

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

4. **Compensated absences** – It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. At August 31, 2016, the District had no material liability for accrued personal leave.
5. **Capital assets** – Capital assets, which include land, buildings, building improvements, and furniture and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

improvements are capitalized as projects are constructed. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

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

The District has no restrictions on capital assets.

6. **Fund balances** – According to the District's fund balance policy, fund balance is comprised of the following components:
- **Nonspendable** – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
 - **Restricted** – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws of regulations of other governments.
 - **Committed** – Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees policy or resolution. This includes the budget reserve account. At August 31, 2016 the District had no committed fund balance.
 - **Assigned** – Amounts that are designated by the District for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Trustees. At August 31, 2016 the District had no assigned fund balance.
 - **Unassigned** – All amounts not included in other spendable classifications.

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

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

Deferred Charge for Refunding	\$	1,620,440
Deferred Outflow Related to TRS		2,597,465
Total Deferred Outflows of Resources	\$	4,217,905

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

Deferred Inflow Related to TRS	\$	416,304
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The District has one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide Statement of Net Position.

10. **Data control codes** – The data control codes refer to the account code structure prescribed by TEA in the *FASRG*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.
11. The District is exposed to various risks of loss related torts, theft, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value 9/1/2015</u>	<u>Change in Net Position</u>
Land	\$ 2,021,077	\$ -	\$ 2,021,077	
Buildings & Improvements	71,295,954	25,058,236	46,237,718	
Furniture & Equipment	4,821,670	3,793,293	1,028,377	
Construction in Progress	-	-	-	
	<u>\$ 78,138,701</u>	<u>\$28,851,529</u>	<u>\$ 49,287,172</u>	<u>\$ 49,287,172</u>
<u>Long-term Liabilities at the Beginning of the Year:</u>				
Bonds Payable			30,725,000	
Maintenance Tax Notes Payable			1,815,979	
Capital Lease Payable			\$ 77,767	
			<u>\$ 32,618,746</u>	<u>(32,618,746)</u>
Net Adjustment to Net Position				<u>\$ 16,668,426</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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

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

	Amount	Adjustments to Net Position	Adjustments to Changes in Net Position
<u>Current Year Capital Outlay</u>			
Land	\$ -		
Building & Improvements	2,422,547		
Furniture & Equipment	550,817		
Total Capital Outlay	<u>\$ 2,973,364</u>	\$ 2,973,364	\$ 2,973,364
<u>Debt Principal Payments</u>			
Bonds and Tax Notes Principal	\$ 1,346,637		
Capital Lease Payments	-		
Total Debt Principal Payments	<u>1,346,637</u>	<u>1,346,637</u>	<u>1,346,637</u>
Total Adjustment to Net Position		<u>\$ 4,320,001</u>	<u>\$ 4,320,001</u>

Another element of the reconciliation on Exhibit C-4 relates to the District's recognition of its proportionate share of the net pension liability required by GASB 68. The details of this adjustment are as follows:

	Amount	Adjustments to Net Position	Adjustments to Changes in Net Position
Net pension liability at beginning of Year 2015 FY	\$ (2,821,763)	\$ (2,821,763)	\$ -
Contributions made during FY2015 for prior year expense	(66,537)	(66,537)	-
District's proportionate share of pension expense	(468,591)	(468,591)	(468,591)
Net proportionate share per TRS Schedule of Pension Amount	(531,219)	(531,219)	(531,221)
Contributions made after measurement date of 8/31/2015	475,273	475,273	475,273
Total Adjustment to Net Position		<u>\$ (3,412,837)</u>	<u>\$ (524,539)</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, 2016

	Amount	Adjustments to Net Position	Adjustments to Changes in Net Position
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 138,756		\$ (138,756)
Uncollected Taxes (Assumed Collectible)			
from Current Year Levy	170,037	\$ 170,037	170,037
Uncollected Taxes (Assumed Collectible)			
from Prior Year Levy	237,288	237,288	-
<u>Other Adjustments</u>			
New Capital Lease	439,950	(439,950)	(439,950)
Unamortized Premium on Debt			
Beginning Balance	2,389,091	(2,389,091)	-
Current Year Amortization	146,214	146,214	146,214
Record premium on debt issuance	-	-	-
Loss on Early Extinguishment of Debt			
Beginning Balance	1,707,546	1,707,546	-
Current Year Amortization	87,106	(87,106)	(87,106)
Record loss on early extinguishment of debt	-	-	-
CAB Accretion			
Record Accretion at beginning of year	45,926	(45,926)	
Record Current Year Accretion	21,258	(21,258)	(21,258)
Accrued Interest from Prior Year	45,387	-	45,387
Accrued Interest from Current Year	48,777	(48,777)	(48,777)
Total Adjustment to Net Position		\$ (771,023)	\$ (374,209)

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

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

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

	<u>Amendment</u>
Roofing and Field House Projects	\$ 2,463,964

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

	<u>Fund Balance</u>
Appropriated Budget Funds	
National Breakfast and Lunch Program	\$ 531,879
Nonappropriated Budget Funds	
Math Achievement Academics	1,050
State Textbook Fund	151,851
Campus Activity Funds	76,462

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

	<u>Excess</u>
General Fund:	
Facilities Acquisition and Construction	172,458

C. DEFICIT FUND EQUITY

There are no deficit fund balances in the current year.

IV. DETAILED NOTES ON ALL FUNDS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Concerning Deposits

- *Custodial Credit Risk for Deposits* State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. As of August 31, 2016, the District's bank balances totaled \$14,057,407. This entire amount was either collateralized with securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus the District's deposits are not exposed to custodial credit risk.
- *Foreign Currency Risk* The District does not make investments that have foreign currency risk.

Cash Deposits

At August 31, 2016, the following are the District's cash and cash equivalents (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less Than 1 Year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over 10 Years</u>	<u>Credit Rating</u>
Cash	\$ 13,381,121	100%	\$ 13,381,121	\$ -	\$ -	n/a

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

Investments

District Policies and Legal and Contractual Provisions Concerning Investments

Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the area of investment practices, management reports and establishment of appropriate policies. Amount other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or insured certificates of deposit issued by state and national banks domiciled in the State of Texas; (3) obligations of state, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and its fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

- **Credit Risk** - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in obligations of the U.S. Treasury or its agencies and instrumentalities; direct obligations of the state of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the state of Texas, the United states or their respective agencies and instrumentalities; including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States; obligations of states agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and bonds issued, assumed, or guaranteed by the state of Israel as per Texas Statute Government Code 2256.009. Additionally, the District authorized investments in; certificates of deposit; fully collateralized repurchase agreements; certain securities lending programs; certain bankers acceptances; certain commercial paper; certain no-load market mutual funds; certain no-load mutual funds; guaranteed investment contracts; and public funds investment pools. As of August 31, 2016 the District had no investments. and therefore was not exposed to credit risk.
- **Custodial Credit Risk for Investments** - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. As of August 31, 2016 the District had no investments. and therefore was not exposed to custodial credit risk.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

- Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District shall diversify in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity or specific issuers. As of August 31, 2016 the District had no investments. and therefore was not exposed to concentration of custodial credit risk
- Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District shall use final and weighted-average maturity limits and diversification. The District shall monitor interest rate risk using weighted-average maturity and specific identification. At August 31, 2016, the District had no investments and therefore was not exposed to interest rate risk.
- Foreign Currency Risk - The District does not make investments that have foreign currency and therefore is not exposed to foreign currency risk.

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

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2016 consisted of the following individual fund balances:

<u>Due To General Fund From:</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Funds:		
Head Start	7,090	Grant funds expended, not received at year-end
IDEA Part B Formula	60,107	Grant funds expended, not received at year-end
Career and Technical-Basic Grant	4,017	Grant funds expended, not received at year-end

There were no interfund transfers for the year ended August 31, 2016.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2016 were as follows:

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

	Governmental Funds		Total Receivables
	General Fund	Nonmajor Funds	
Property Taxes	\$ 367,796	\$ 84,787	\$ 452,583
Less Allowance for Uncollectible	(36,780)	\$ (8,478)	(45,258)
Other Governments	1,643,205	379,582	2,022,787
Other	9,352		9,352
Other Funds	71,214	-	71,214
	<u>\$2,054,787</u>	<u>\$ 455,891</u>	<u>\$ 2,510,678</u>
Amounts Not Expected to be Collected During Subsequent Year (Included Above):			
Property Taxes	<u>\$ 332,796</u>	<u>\$ 59,787</u>	<u>\$ 392,583</u>

Payables at August 31, 2016 were as follows:

	Governmental Funds		Fiduciary Fund	Total Payables
	General Fund	Nonmajor Funds	Agency Fund	
Interest Payable	\$ -	\$ 60,992	\$ -	\$ 60,992
Accounts Payable	766,830	9,219	-	776,049
Salaries and Benefits	992,730	196,211	795	1,189,736
Other Governments	-	-	-	-
Other Funds	-	71,214	-	71,214
Student Groups	-	-	62,752	62,752
	<u>\$1,759,560</u>	<u>\$ 337,636</u>	<u>\$ 63,547</u>	<u>\$2,160,743</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2016, was as follows:

Governmental Activities	Balance 9/1/2015	Increases	Reclassifications/ Reductions	Balance 8/31/2016
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 2,021,077	\$ -	\$ -	\$ 2,021,077
Construction in Progress	-	-	-	-
<u>Capital Assets Being Depreciated:</u>				
Buildings & Improvements	71,295,954	2,422,547	-	73,718,501
Furniture & Equipment	4,821,670	550,817	(154,155)	5,218,332
	<u>76,117,624</u>	<u>2,973,364</u>	<u>(154,155)</u>	<u>78,936,833</u>
Less Accumulated Depreciation				
Buildings & Improvements	25,058,236	1,486,206	-	26,544,442
Furniture & Equipment	3,793,293	291,259	(154,155)	3,930,397
	<u>28,851,529</u>	<u>1,777,465</u>	<u>(154,155)</u>	<u>30,474,839</u>
Net Capital Assets				
Being Depreciated	<u>47,266,095</u>	<u>1,195,899</u>	-	48,461,994
Net Capital Assets	<u>\$ 49,287,172</u>	<u>\$ 1,195,899</u>	<u>\$ -</u>	<u>\$ 50,483,071</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,260,921
Instructional Resources and Media Services	14,779
School Leadership	15,001
Guidance, Counseling and Evaluation Services	10,478
Health Services	10,109
Student Transportation	84,604
Food Services	96,167
Cocurricular/Extracurricular Activities	206,803
General Administration	3,415
Security	6,568
Plant Maintenance	68,620
Total Depreciation Expense	<u>\$ 1,777,465</u>

G. BONDS AND LONG-TERM DEBT

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

A summary of changes in general long-term debt for the year ended August 31, 2016 is as follows:

	Balance 9/1/2015	Additions	Retirements	Balance 8/31/2016	Due Within One Year
Bonds Payable-					
Carrying Value	\$ 30,725,000	\$ -	\$ 1,120,000	\$ 29,605,000	\$ 1,125,000
Unamortized Premium	2,389,091	-	146,214	2,242,877	-
Total Bonds Payable	33,114,091	-	1,266,214	31,847,877	1,125,000
Notes Payable	1,815,979	-	99,000	1,716,979	99,000
Capital Leases Payable	77,766	439,950	127,636	390,080	123,398
Accreted Interest Payable	45,926	21,258	-	67,184	-
Net Pension Liability	2,821,763	3,240,826	468,591	5,593,998	n/a
Totals	<u>\$ 37,875,525</u>	<u>\$ 3,702,034</u>	<u>\$ 1,961,441</u>	<u>\$ 39,616,118</u>	<u>\$ 1,347,398</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

The following is a summary of the District's bonds and notes outstanding as of August 31, 2016:

Issue	Interest Rates	Final Maturity	Original Issue Amount	Amounts Outstanding 9/1/2014	Issued	Retired/Refunded	Amounts Outstanding 8/31/2015
Bonds:							
Series 2006	4%-4.5%	2033	29,500	530,000	-	(530,000)	-
Series 2008, Refunding	1.69%	2021	2,610,000	1,815,000	-	(270,000)	1,545,000
Series 2013, Refunding	3%-3.5%	2036	7,135,000	6,995,000	-	(30,000)	6,965,000
Series 2014, Refunding	3%-4%	2033	9,050,000	8,990,000	-	(20,000)	8,970,000
Series 2014a, Refunding	3%	2027	3,795,000	3,700,000	-	(115,000)	3,585,000
Series 2015, Refunding	2.25%-3%	2028	8,695,000	8,695,000	-	(155,000)	8,540,000
Total Bonds Payable				30,725,000	-	(1,120,000)	29,605,000
Notes Payable:							
Maintenance Tax Notes 2007	4.50%	2022	1,770,000	527,000	-	-	527,000
Maintenance Tax Notes 2013	4.2%-3.2%	2028	1,486,979	1,288,979	-	(99,000)	1,189,979
Total Notes Payable				1,815,979	-	(99,000)	1,716,979
Capital Leases:							
Municipal Services Group	3.78%	2017	256,446	77,766	-	(38,162)	39,604
Government Capital	2.98%	2021	439,950	-	439,950	(89,474)	350,476
Total Capital Leases				77,766	439,950	(127,636)	390,080
Total Debt				\$ 32,618,745	\$ 439,950	\$ (1,346,636)	\$ 31,712,059

Accreted Interest Payable

A portion of the 2013 and 2014 refunding bonds consisted of capital appreciation bonds (CABS). These bonds are zero-coupon bonds with deep discounts. The difference between the initial price of the bonds plus the premium on the CABS and the maturity value represents interest. This interest is accreted over the term of the bonds and is recorded as a liability in the District's financial statements. The following schedule summarizes the changes in accreted interest payable during the year ended August 31, 2016.

	Balance 9/1/2016	Additions	Retired	Balance 8/31/2016
Accreted Interest Payable	\$ 45,926	\$21,258	\$ -	\$ 67,184

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On August 31, 2016, the following bonds considered defeased are still outstanding:

	Amount Outstanding 8/31/2016
Series 1995	\$ 2,375,000
Series 1997	2,375,000
Series 1998	1,565,000
Series 2004	4,030,000
Series 2006	25,040,000

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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

Year Ended August 31,	Principal	Interest	Total
2017	1,224,000	1,208,756	2,432,756
2018	1,249,000	1,182,816	2,431,816
2019	1,481,000	1,017,135	2,498,135
2020	1,594,000	969,958	2,563,958
2021	1,639,000	924,703	2,563,703
2022-2026	7,795,000	3,490,813	11,285,813
2027-2031	7,574,979	2,087,623	9,662,602
2032-2036	8,765,000	726,201	9,491,201
Total	<u>\$ 31,321,979</u>	<u>\$ 11,608,005</u>	<u>\$ 42,929,984</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture and the tax note indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2016.

Debt service requirements for capital leases are as follows:

Year Ended August 31,	Principal	Interest	Total
2017	123,398	11,957	135,355
2018	86,292	7,959	94,251
2019	88,869	5,384	94,253
2020	91,521	2,731	94,252
Total	<u>\$390,080</u>	<u>\$ 28,031</u>	<u>\$ 418,111</u>

H. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2016 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

	General Fund	Nonmajor Funds	Totals
Local Governments	\$ -	\$ -	\$ -
State Entitlements	1,643,205	151,015	1,794,220
Federal Grants	-	228,567	228,567
Totals	<u>\$ 1,643,205</u>	<u>\$ 379,582</u>	<u>\$ 2,022,787</u>

I. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

	<u>Governmental Funds</u>		<u>Totals</u>
	<u>General Fund</u>	<u>Nonmajor Funds</u>	
Property Taxes	\$10,321,117	\$ 2,382,820	\$12,703,937
Penalties and Interest			
On Property Taxes	53,054	11,666	64,720
Member Districts			
Contributions	-	-	-
Tuition & Fees	-	-	-
Investment Income	52,886	2,868	55,754
Rent	2,355	-	2,355
Food Sales	-	256,424	256,424
Co-curricular Student			
Activities	40,344	-	40,344
Insurance Recovery	-	-	-
Miscellaneous	142,002	144,098	286,100
	<u>\$10,611,758</u>	<u>\$ 2,797,876</u>	<u>\$13,409,634</u>

J. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

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

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

K. PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

Net Pension Liability	Total
Total Pension Liability	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	(128,538,706,212)
Net Pension Liability	\$ 35,348,668,960

Net Position as a percentage of Total Pension Liability 78.43%

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

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

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

	<u>Contribution Rates</u>	
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2016 Employer Contribution		\$ 475,273
District's 2016 Member Contributions		1,108,149
District's 2015 NECE On-Behalf Contributions		744,735

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age
	Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
Gainesville's ISD's proportionate share of net pension liability	<u>\$8,764,740</u>	<u>\$ 5,593,998</u>	<u>\$ 2,952,966</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, Gainesville Independent School District reported a liability of \$5,593,998 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Gainesville Independent School District. The amount recognized by Gainesville Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Gainesville Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 5,593,998
State's proportionate share that is associated with the District	<u>8,887,949</u>
Total	<u>\$14,481,947</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

At August 31, 2015 the employer's proportion of the collective net pension liability was .0158252% which was an increase of .0052613% from its proportion measured as of August 31, 2014,

Changes Since the Prior Actuarial Valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumptions was decreased from 3% to 2.5%.
2. The ultimate merit assumptions for long-service employees was decreased from 1.25% to 1%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.5% to 2.5%
5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Mortality Assumptions

6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumptions because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. this methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumptions. the timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the measurement period August 31, 2015, Gainesville Independent School District recognized pension expense of \$1,266,390 and revenue of \$1,266,390 for support provided by the State in the Government Wide Statement of Activities.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

At August 31, 2016, Gainesville Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experiences	\$ 36,293	\$214,982.00
Changes in actuarial assumptions	152,543	199,569.00
Differences between projected and actual investment earnings	730,843	
Changes in proportion and differences between the employer's contribution and the proportionate share of contributions	<u>1,202,513</u>	<u>1,753</u>
Total as of August 31, 2015 measurement date	\$ 2,122,192	\$ 416,304
Contributions paid to TRS subsequent to the measurement date	<u>475,273</u>	
Total as of fiscal year-end	<u>\$ 2,597,465</u>	<u>\$ 416,304</u>

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

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 300,197
2018	300,197
2019	300,199
2020	515,810
2021	169,131
Thereafter	120,354

L. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

Retiree Health Care Coverage

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions respectively. The contribution rate for the district was .55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.0%.

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
District Contributions	\$ 100,045	\$ 96,996	\$ 79,862
Federal Contributions	16,134	15,333	16,703
State Contributions	181,900	176,356	145,204
Employee Contributions	118,235	114,632	94,382

Medicare Part D. The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2016, 2015 and 2014 the subsidy payments received by TRS-Care on behalf of the District were \$48,954, \$47,350 and \$38,447 respectively. The information for the year ended August 31, 2016 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

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

M. UNAVAILABLE/UNEARNED REVENUE

Unavailable revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 331,016	\$ 76,308	\$ 407,324

N. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

None

O. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

None

P. RELATED ORGANIZATIONS

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

Q. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through December 31, 2016, the date which the financial statements were available for issue.

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REQUIRED SUPPLEMENTARY INFORMATION

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

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	\$ 9,972,698	\$ 9,997,428	\$ 10,611,758	\$ 614,330
5800 State Program Revenues	11,901,744	11,901,744	12,909,738	1,007,994
5900 Federal Program Revenues	17,763	17,763	489,474	471,711
5020 Total Revenues	21,892,205	21,916,935	24,010,970	2,094,035
EXPENDITURES:				
Current:				
0011 Instruction	11,828,303	11,785,513	11,715,475	70,038
0012 Instructional Resources and Media Services	543,789	543,789	520,668	23,121
0013 Curriculum and Instructional Staff Development	312,818	313,753	269,715	44,038
0021 Instructional Leadership	426,059	422,132	386,242	35,890
0023 School Leadership	1,593,089	1,520,589	1,509,901	10,688
0031 Guidance, Counseling and Evaluation Services	712,084	701,079	617,074	84,005
0032 Social Work Services	155,649	185,649	177,084	8,565
0033 Health Services	287,437	302,437	280,724	21,713
0034 Student (Pupil) Transportation	590,248	1,030,198	980,464	49,734
0036 Extracurricular Activities	1,021,690	1,071,150	1,020,240	50,910
0041 General Administration	887,088	927,088	892,701	34,387
0051 Facilities Maintenance and Operations	2,695,698	3,179,470	3,135,312	44,158
0052 Security and Monitoring Services	32,250	32,250	15,909	16,341
0053 Data Processing Services	89,530	89,530	80,830	8,700
Debt Service:				
0071 Principal on Long Term Debt	290,302	227,167	226,637	530
0072 Interest on Long Term Debt	-	60,140	59,364	776
0073 Bond Issuance Cost and Fees	-	2,995	(32)	3,027
Capital Outlay:				
0081 Facilities Acquisition and Construction	229,421	2,229,171	2,401,629	(172,458)
Intergovernmental:				
0099 Other Intergovernmental Charges	196,750	196,750	196,737	13
6030 Total Expenditures	21,892,205	24,820,850	24,486,674	334,176
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,903,915)	(475,704)	2,428,211
OTHER FINANCING SOURCES (USES):				
7913 Capital Leases	-	-	439,950	439,950
1200 Net Change in Fund Balances	-	(2,903,915)	(35,754)	2,868,161
0100 Fund Balance - September 1 (Beginning)	-	11,954,955	11,954,955	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 9,051,040	\$ 11,919,201	\$ 2,868,161

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-6

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0158252%	0.01056396%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,593,998	\$ 2,821,763
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	8,887,949	7,691,057
Total	<u>\$ 14,481,947</u>	<u>\$ 10,512,820</u>
District's Covered-Employee Payroll	\$ 15,390,975	\$ 14,922,329
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	36.35%	18.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2016

EXHIBIT G-7

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 475,273	\$ 468,591
Contribution in Relation to the Contractually Required Contribution	275,273	468,591
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 15,390,975	\$ 14,922,329
Contributions as a Percentage of Covered-Employee Payroll	3.09%	3.14%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

Changes of benefit terms.

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

Changes of assumptions.

The following are changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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COMBINING STATEMENTS

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110	\$ -	\$ 89,751	\$ -	\$ -
1220	-	-	-	-
1230	-	-	-	-
1240	41,232	-	96,707	-
1290	-	-	-	-
1000	<u>\$ 41,232</u>	<u>\$ 89,751</u>	<u>\$ 96,707</u>	<u>\$ -</u>
LIABILITIES				
2110	\$ -	\$ -	\$ -	\$ -
2140	-	-	-	-
2160	31,134	81,871	33,373	-
2170	7,090	-	60,107	-
2200	3,008	7,880	3,227	-
2300	-	-	-	-
2000	<u>41,232</u>	<u>89,751</u>	<u>96,707</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3445	-	-	-	-
Restricted Fund Balance:				
3450	-	-	-	-
3480	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 41,232</u>	<u>\$ 89,751</u>	<u>\$ 96,707</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	289 Summer School LEP	410 State Textbook Fund
\$ 458,554	\$ 5,446	\$ -	\$ 18,776	\$ 7,209	\$ -	\$ -	\$ 836
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
86,611	-	4,017	-	-	-	-	151,015
-	-	-	-	-	-	-	-
<u>\$ 545,165</u>	<u>\$ 5,446</u>	<u>\$ 4,017</u>	<u>\$ 18,776</u>	<u>\$ 7,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,851</u>
\$ 3,553	\$ 5,446	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
9,564	-	-	17,142	6,566	-	-	-
-	-	4,017	-	-	-	-	-
169	-	-	1,634	643	-	-	-
-	-	-	-	-	-	-	-
<u>13,286</u>	<u>5,446</u>	<u>4,017</u>	<u>18,776</u>	<u>7,209</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
531,879	-	-	-	-	-	-	151,851
-	-	-	-	-	-	-	-
<u>531,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,851</u>
<u>\$ 545,165</u>	<u>\$ 5,446</u>	<u>\$ 4,017</u>	<u>\$ 18,776</u>	<u>\$ 7,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,851</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	429 Math Achievement Academics	461 Campus Activity Funds	499 GISD Foundation Grants	Total Nonmajor Special Revenue Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 1,050	\$ 76,682	\$ -	\$ 658,304
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	-	-	-	379,582
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 1,050</u>	<u>\$ 76,682</u>	<u>\$ -</u>	<u>\$ 1,037,886</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 220	\$ -	\$ 9,219
2140	Interest Payable - Current	-	-	-	-
2160	Accrued Wages Payable	-	-	-	179,650
2170	Due to Other Funds	-	-	-	71,214
2200	Accrued Expenditures	-	-	-	16,561
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>220</u>	<u>-</u>	<u>276,644</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3445	Other Non-Spendable Fund Balance	-	76,462	-	76,462
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	1,050	-	-	684,780
3480	Retirement of Long-Term Debt	-	-	-	-
3000	Total Fund Balances	<u>1,050</u>	<u>76,462</u>	<u>-</u>	<u>761,242</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,050</u>	<u>\$ 76,682</u>	<u>\$ -</u>	<u>\$ 1,037,886</u>

599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 735,654	\$ 1,393,958
84,787	84,787
(8,478)	(8,478)
-	379,582
1,769	1,769
<u>\$ 813,732</u>	<u>\$ 1,851,618</u>
\$ -	\$ 9,219
60,992	60,992
-	179,650
-	71,214
-	16,561
76,308	76,308
<u>137,300</u>	<u>413,944</u>
-	76,462
-	684,780
676,432	676,432
<u>676,432</u>	<u>1,437,674</u>
<u>\$ 813,732</u>	<u>\$ 1,851,618</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	402,237	833,055	587,584	11,218
5020 Total Revenues	<u>402,237</u>	<u>833,055</u>	<u>587,584</u>	<u>11,218</u>
EXPENDITURES:				
Current:				
0011 Instruction	296,522	587,295	575,841	11,218
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	234,777	979	-
0021 Instructional Leadership	-	10,983	-	-
0023 School Leadership	68,584	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	10,764	-
0033 Health Services	37,131	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>402,237</u>	<u>833,055</u>	<u>587,584</u>	<u>11,218</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	289 Summer School LEP	410 State Textbook Fund
\$ 258,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 459
24,159	-	-	-	-	-	-	269,645
2,003,478	44,664	43,878	168,722	60,746	52,159	4,452	-
<u>2,286,030</u>	<u>44,664</u>	<u>43,878</u>	<u>168,722</u>	<u>60,746</u>	<u>52,159</u>	<u>4,452</u>	<u>270,104</u>
-	-	18,141	168,722	60,746	52,159	4,452	118,630
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	25,737	-	-	-	-	-
-	-	-	-	-	-	-	-
2,248,054	44,664	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,248,054</u>	<u>44,664</u>	<u>43,878</u>	<u>168,722</u>	<u>60,746</u>	<u>52,159</u>	<u>4,452</u>	<u>118,630</u>
37,976	-	-	-	-	-	-	151,474
493,903	-	-	-	-	-	-	377
<u>\$ 531,879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,851</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	429 Math Achievement Academics	461 Campus Activity Funds	499 GISD Foundation Grants	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 133,173	\$ 10,466	\$ 402,491
5800 State Program Revenues	1,050	-	-	294,854
5900 Federal Program Revenues	-	-	-	4,212,193
5020 Total Revenues	<u>1,050</u>	<u>133,173</u>	<u>10,466</u>	<u>4,909,538</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	68,594	10,466	1,972,786
0012 Instructional Resources and Media Services	-	19,578	-	19,578
0013 Curriculum and Instructional Staff Development	-	-	-	235,756
0021 Instructional Leadership	-	-	-	10,983
0023 School Leadership	-	19,793	-	88,377
0031 Guidance, Counseling and Evaluation Services	-	-	-	36,501
0033 Health Services	-	-	-	37,131
0035 Food Services	-	-	-	2,292,718
0036 Extracurricular Activities	-	215	-	215
0041 General Administration	-	7,795	-	7,795
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>115,975</u>	<u>10,466</u>	<u>4,701,840</u>
1200 Net Change in Fund Balance	1,050	17,198	-	207,698
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>59,264</u>	<u>-</u>	<u>553,544</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,050</u>	<u>\$ 76,462</u>	<u>\$ -</u>	<u>\$ 761,242</u>

599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 2,395,385	\$ 2,797,876
85,858	380,712
-	4,212,193
2,481,243	7,390,781
-	1,972,786
-	19,578
-	235,756
-	10,983
-	88,377
-	36,501
-	37,131
-	2,292,718
-	215
-	7,795
1,120,000	1,120,000
1,159,704	1,159,704
2,912	2,912
2,282,616	6,984,456
198,627	406,325
477,805	1,031,349
\$ 676,432	\$ 1,437,674

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REQUIRED TEA SCHEDULES

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ 8,542,945,727
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	1.040000	0.235320	881,992,781
2012	1.040000	0.294324	877,347,353
2013	1.040000	0.268780	935,160,563
2014	1.040000	0.250000	987,309,121
2015	1.040000	0.240000	1,004,544,625
2016 (School year under audit)	1.040000	0.240000	985,624,273
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 50,580	\$ -	\$ 3,491	\$ 420	\$ (12,320)	\$ 34,349
14,896	-	1,453	343	(66)	13,034
20,392	-	1,997	452	(89)	17,854
26,332	-	3,811	862	(263)	21,396
28,396	-	8,106	1,834	497	18,953
46,762	-	16,034	4,538	14,406	40,596
47,760	-	9,613	2,475	264	35,936
36,691	-	3,164	761	9,425	42,191
146,019	-	83,784	19,335	15,338	58,238
-	12,615,991	10,108,241	2,334,575	(3,139)	170,036
<u>\$ 417,828</u>	<u>\$ 12,615,991</u>	<u>\$ 10,239,694</u>	<u>\$ 2,365,595</u>	<u>\$ 24,053</u>	<u>\$ 452,583</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 295,250	\$ 295,250	\$ 258,393	\$ (36,857)
5800 State Program Revenues	25,101	25,101	24,159	(942)
5900 Federal Program Revenues	1,902,016	1,902,016	2,003,478	101,462
5020 Total Revenues	<u>2,222,367</u>	<u>2,222,367</u>	<u>2,286,030</u>	<u>63,663</u>
EXPENDITURES:				
0035 Food Services	<u>2,222,367</u>	<u>2,360,136</u>	<u>2,248,054</u>	<u>112,082</u>
6030 Total Expenditures	<u>2,222,367</u>	<u>2,360,136</u>	<u>2,248,054</u>	<u>112,082</u>
1200 Net Change in Fund Balances	-	(137,769)	37,976	175,745
0100 Fund Balance - September 1 (Beginning)	-	493,903	493,903	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 356,134</u>	<u>\$ 531,879</u>	<u>\$ 175,745</u>

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,291,349	\$ 2,291,349	\$ 2,395,385	\$ 104,036
5800	State Program Revenues	-	-	85,858	85,858
5020	Total Revenues	2,291,349	2,291,349	2,481,243	189,894
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,281,205	1,120,000	1,120,000	-
0072	Interest on Long Term Debt	-	1,159,705	1,159,704	1
0073	Bond Issuance Cost and Fees	-	2,912	2,912	-
6030	Total Expenditures	2,281,205	2,282,617	2,282,616	1
1200	Net Change in Fund Balances	10,144	8,732	198,627	189,895
0100	Fund Balance - September 1 (Beginning)	-	477,805	477,805	-
3000	Fund Balance - August 31 (Ending)	\$ 10,144	\$ 486,537	\$ 676,432	\$ 189,895

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FEDERAL AWARDS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gainesville Independent School District as of and for the year ended August 31, 2016 and the related notes to the financial statements, which collectively comprise Gainesville Independent School District's basic financial statements, and have issued our report thereon dated December 31, 2016.

Internal Control over Financial Reporting

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

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

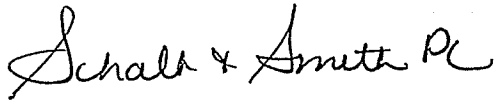
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Schalk & Smith, P.C.
December 31, 2016



SCHALK & SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

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

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

To the Board of Trustees
Gainesville Independent School District

Report on Compliance for Each Major Federal Program

We have audited Gainesville Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gainesville Independent School District's major federal programs for the year ended August 31, 2016. Gainesville Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

Report on Internal Control over Compliance

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

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

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

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

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

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

We have audited the financial statements of Gainesville Independent School District as of and for the year ended August 31, 2016, and have issued our report thereon dated December 31, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Schalk & Smith, P.C.
December 31, 2016

**GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Major Federal Programs:

- Child Nutrition Cluster CFDA #10.553; 10.555

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

Section II – Financial Statement Findings-NONE

Section III – Federal Award findings and Questioned Costs-NONE

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

N/A

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

(Prepared by the District's Administration)

N/A

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101049901	\$ 833,055
*IDEA - Part B, Formula	84.027	166600010499016600	587,584
*IDEA - Part B, Preschool	84.173	166610010499016610	11,218
Total Special Education Cluster (IDEA)			598,802
Career and Technical - Basic Grant	84.048	16420006049901	39,861
Career and Technical - Basic Grant	84.048	17420006049901	4,017
Total CFDA Number 84.048			43,878
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	16696001049901	52,159
Title III, Part A - English Language Acquisition	84.365A	16671001049901	60,746
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501049901	168,722
Grants for State Assessments & Related Activities	84.369	S369A140045	4,451
Total Passed Through State Department of Education			\$ 1,761,813
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 1,761,813
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH7009/10	\$ 51,754
Head Start	93.600	07CH7009/10	350,484
Total CFDA Number 93.600			402,238
Total Passed Through State Department of Education			\$ 402,238
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 402,238
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 548,716
*National School Lunch Program - Cash Assistance	10.555		1,329,291
*National School Lunch Prog. - Non-Cash Assistance	10.555		125,471
Total CFDA Number 10.555			1,454,762
*Summer Feeding Program - Cash Assistance	10.559		44,664
Total Child Nutrition Cluster			2,048,142
Total Passed Through the State Department of Agriculture			\$ 2,048,142
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 2,048,142
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,212,193

*Clustered Programs

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2016

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

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

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

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

Federal Awards per Schedule of Expenditures of Federal Awards	\$ 4,212,193
Medicaid Reimbursements (SHARS)	489,474
Total Federal Program Revenues-Exhibit C-3	<u>\$ 4,701,667</u>

SCHOOLS FIRST QUESTIONNAIRE

Gainesville Independent School District

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	67184
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	5593998
SF13	Pension Expense (6147) at fiscal year-end:	423536