# GAINESVILLE INDEPENDENT SCHOOL DISTRICT
# ANNUAL FINANCIAL REPORT
# FOR THE YEAR ENDED
# AUGUST 31, 2020

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GAINESVILLE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

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CERTIFICATE OF BOARD

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

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ___✓___ approved _____ disapproved for the year ended August 31, 2020 at a meeting of the Board of Trustees of such school district on the 19th day of January 2021.

Signature of Board Secretary

Signature of Board President

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

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SCHALK & SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Gainesville Independent School District
Gainesville, TX

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gainesville Independent School District (the District), as of and for the year ended August 31, 2020 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, 2020 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 (page 43), and Teacher Retirement System schedules (pages 44 through 50) 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



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

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards,* we have also issued our report dated January 15, 2021, 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.
Gainesville, TX
January 15, 2021

# 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, 2020. 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 increased by $1,097,405 during the fiscal year from the result of current year operations.
- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal period by $25,700,315 (net position). None of the amount is considered unrestricted.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of $15,947,547. $14,949,223 of this total amount, or 93.7%, is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, unassigned fund balance for the general fund was $14,949,233 or 55.55% of non-capital general fund expenditures and transfers.

## USING THIS ANNUAL REPORT

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

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

The notes to the financial statements (starting on page 19) 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 funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

**The District as Trustee**

***Reporting the District's Fiduciary Responsibilities***

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Position (Table I) and changes in Net Position (Table II) of the District's governmental-type activities. As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $25,700,315, which represented an increase of $1,097,405 from current operations. Unrestricted net position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a deficit at August 31, 2020.

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 $28,889,387. 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 $957,303, (approximately 3.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($4,146,375) is a deficit. This total net position is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term commitments* that are more than currently available resources.

Table I
NET POSITION

| | Governmental Activities 2020 | Governmental Activities 2019 |
|---|---|---|
| Current and other assets | $ 19,016,421 | $ 19,558,166 |
| Capital assets | 55,442,586 | 53,410,909 |
| Total assets | 74,459,007 | 72,969,075 |
| Deferred outflows of resources | 8,727,457 | 8,235,026 |
| Long-term liabilities | 46,641,149 | 48,677,872 |
| Other liabilities | 4,399,749 | 3,751,402 |
| Total liabilities | 51,040,898 | 52,429,274 |
| Deferred inflows of resources | 6,445,251 | 4,171,917 |
| Net position | | |
| Invested in capital assets net of related debt | 28,889,387 | 25,036,991 |
| Restricted | 957,303 | 1,555,226 |
| Unrestricted | (4,146,375) | (1,989,307) |
| Total net position | $ 25,700,315 | $ 24,602,910 |

Table II
Changes in Net Position

| | Governmental Activities 2020 | Governmental Activities 2019 |
|---|---|---|
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services | $ 509,062 | $ 678,688 |
| Operating grants and contributions | 8,146,379 | 8,602,281 |
| General Revenues | | |
| Maintenance and operations taxes | 13,602,830 | 13,287,886 |
| Debt Service taxes | 1,024,767 | 1,137,347 |
| Grants and Contributions not restricted to specific functions | 15,946,055 | 15,793,881 |
| Investment Earnings | 171,969 | 292,135 |
| Miscellaneous | 924 | 79,388 |
| Total Revenue | 39,401,986 | 39,871,606 |
| Expenses: | | |
| Instruction, curriculum and media services | 22,941,576 | 20,839,622 |
| Instructional and school leadership | 2,606,775 | 2,477,728 |
| Student support services | 3,033,964 | 2,855,418 |
| Child nutrition | 2,427,838 | 2,366,423 |
| Co-curricular activities | 1,681,975 | 1,591,083 |
| General Administration | 1,318,443 | 1,168,156 |
| Plant maintenance, security & data processing | 3,109,190 | 2,835,408 |
| Debt services | 938,469 | 975,060 |
| Other Intergovernmental Charges | 246,351 | 238,093 |
| Total Expenses | 38,304,581 | 35,346,991 |
| Increase in net assets | 1,097,405 | 4,524,615 |
| Net position at 9/1 | 24,602,910 | 20,078,295 |
| Net position at 8/31 | $ 25,700,315 | $ 24,602,910 |

**Governmental activities.** The District's total net position increased by $1,097,405 as a result of current year's operations. The total cost of all governmental activities was $38,304,581, which was $2,957,590 (8.37%) higher than the previous year.

The District's property tax rate was 1.1484 per $100 of valuation for the current year. The property tax revenue increased by $202,364 primarily due to an increase in assessed valuation. As shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through District taxes was $13,530,192. Some of the costs were paid by those who directly benefited from the programs ($509,062) or by other governments and organizations that subsidized certain programs with grants and contributions ($8,146,379) or by other miscellaneous sources and investment earnings

($172,893) or by State equalization funding ($15,946,055).

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12), reported a combined fund balance of $15,947,547, which is lower than last year's total of $17,174,319. Unassigned fund balance represents a large portion of total fund balances ($14,949,223 or 93.7%) 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 ($998,324 or 6.3%) 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, 2020, the General Fund had unassigned fund balances of $14,949,223 and total fund balances of $14,990,244. As a measure of the General Fund's liquidity, it is useful to compare both fund balance amounts to total fund expenditures plus transfers out ($32,336,634). Unassigned fund balance and total fund balance represent 46.2% and 46.3% of total General Fund expenditures plus transfers out, respectively. The unassigned fund balance represents almost six months of annual General Fund expenditures plus transfers out.

### General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2019). 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:

- Softball/Baseball Turf and Tennis Court Construction

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2020, the District had $55,442,586 (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 vehicles purchases and improvements ($237,610), baseball & softball field improvements ($3,703,033), playground updates ($123,606) and HVAC improvements ($90,000). More detailed information about the District's capital assets is presented in Note III-F to the financial statements. The District had the following capital assets at August 31, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Land | $ 2,003,821 | $ 2,003,821 |
| Buildings and improvements, net | 51,701,085 | 49,576,710 |
| Furniture and equipment, net | 1,737,680 | 1,830,378 |
| Total | $ 55,442,586 | $ 53,410,909 |

### Debt

At year-end, the District had $27,825,215 in bonds and capital leases outstanding versus $29,733,042 last year–a decrease of 6.4%. More detailed information about the District's long-term liabilities is presented in Note III-G to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The district's elected officials considered many factors when setting the fiscal year 2021 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 reduced to $1.0216 per $100 of valuation (due to a mandatory tax compression under House Bill 3) and the interest and sinking rate remained at $0.08 per $100 of valuation. With this rate, the District expects to collect approximately $13,575,995 for maintenance and operations taxes.

- State funding is expected to decrease in correlation with the COVID-19 pandemic and the associated projected loss of ADA and enrollment. Local funding is projected to slightly increase due to increases in property valuation.
- The District has discussed and budgeted the following capital activity for the fiscal year 2021: 1 bus, 3 maintenance vehicles, and an increase in pay.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

# BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

# GAINESVILLE INDEPENDENT SCHOOL DISTRICT
## STATEMENT OF NET POSITION
## AUGUST 31, 2020

| Data Control Codes | | Primary Government: Governmental Activities |
|---|---|---|
| **ASSETS** | | |
| 1110 | Cash and Cash Equivalents | $ 17,014,644 |
| 1220 | Property Taxes - Delinquent | 481,303 |
| 1230 | Allowance for Uncollectible Taxes | (48,130) |
| 1240 | Due from Other Governments | 1,479,517 |
| 1290 | Other Receivables, Net | 48,065 |
| 1300 | Inventories | 41,021 |
| | Capital Assets: | |
| 1510 | Land | 2,003,821 |
| 1520 | Buildings, Net | 51,701,085 |
| 1530 | Furniture and Equipment, Net | 1,737,680 |
| 1000 | Total Assets | 74,459,006 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| 1701 | Deferred Charge for Refunding | 1,272,016 |
| 1705 | Deferred Outflow Related to TRS Pension | 4,733,964 |
| 1706 | Deferred Outflow Related to TRS OPEB | 2,721,477 |
| 1700 | Total Deferred Outflows of Resources | 8,727,457 |
| **LIABILITIES** | | |
| 2110 | Accounts Payable | 305,626 |
| 2140 | Interest Payable | 96,387 |
| 2160 | Accrued Wages Payable | 1,571,022 |
| 2180 | Due to Other Governments | 650,849 |
| 2200 | Accrued Expenses | 47,213 |
| | Noncurrent Liabilities: | |
| 2501 | Due Within One Year | 1,728,652 |
| 2502 | Due in More Than One Year | 26,096,563 |
| 2540 | Net Pension Liability (District's Share) | 9,164,013 |
| 2545 | Net OPEB Liability (District's Share) | 11,380,573 |
| 2000 | Total Liabilities | 51,040,898 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| 2605 | Deferred Inflow Related to TRS Pension | 1,521,846 |
| 2606 | Deferred Inflow Related to TRS OPEB | 4,923,405 |
| 2600 | Total Deferred Inflows of Resources | 6,445,251 |
| **NET POSITION** | | |
| 3200 | Net Investment in Capital Assets | 28,854,405 |
| 3820 | Restricted for Federal and State Programs | 309,870 |
| 3850 | Restricted for Debt Service | 481,929 |
| 3870 | Restricted for Campus Activities | 165,351 |
| 3890 | Restricted for Other Purposes | 153 |
| 3900 | Unrestricted | (4,111,394) |
| 3000 | Total Net Position | $ 25,700,314 |

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

EXHIBIT B-1

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | | 1 | Program Revenues 3 | 4 | Net (Expense) Revenue and Changes in Net Position 6 |
|---|---|---|---|---|---|
| | | Expenses | Charges for Services | Operating Grants and Contributions | Primary Gov. Governmental Activities |
| **Primary Government:** | | | | | |
| | GOVERNMENTAL ACTIVITIES: | | | | |
| 11 | Instruction | $ 21,030,352 | $ 92,592 | $ 4,265,409 | $ (16,672,351) |
| 12 | Instructional Resources and Media Services | 690,254 | 35,046 | 56,750 | (598,458) |
| 13 | Curriculum and Instructional Staff Development | 1,220,970 | - | 896,831 | (324,139) |
| 21 | Instructional Leadership | 732,479 | - | 67,147 | (665,332) |
| 23 | School Leadership | 1,874,296 | 58,411 | 237,064 | (1,578,821) |
| 31 | Guidance, Counseling and Evaluation Services | 1,131,627 | - | 233,313 | (898,314) |
| 32 | Social Work Services | 299,443 | - | 34,497 | (264,946) |
| 33 | Health Services | 437,535 | - | 78,834 | (358,701) |
| 34 | Student (Pupil) Transportation | 1,165,359 | - | 80,065 | (1,085,294) |
| 35 | Food Services | 2,427,838 | 207,884 | 1,841,525 | (378,429) |
| 36 | Extracurricular Activities | 1,681,975 | 50,341 | 65,250 | (1,566,384) |
| 41 | General Administration | 1,318,443 | 1,669 | 100,023 | (1,216,751) |
| 51 | Facilities Maintenance and Operations | 2,867,716 | 63,119 | 137,973 | (2,666,624) |
| 52 | Security and Monitoring Services | 96,070 | - | 51,698 | (44,372) |
| 53 | Data Processing Services | 145,404 | - | - | (145,404) |
| 72 | Debt Service - Interest on Long-Term Debt | 936,469 | - | - | (936,469) |
| 73 | Debt Service - Bond Issuance Cost and Fees | 2,000 | - | - | (2,000) |
| 99 | Other Intergovernmental Charges | 246,351 | - | - | (246,351) |
| [TP] | TOTAL PRIMARY GOVERNMENT: | $ 38,304,581 | $ 509,062 | $ 8,146,379 | (29,649,140) |

| Data Control Codes | | |
|---|---|---|
| | General Revenues: | |
| | Taxes: | |
| MT | Property Taxes, Levied for General Purposes | 13,602,830 |
| DT | Property Taxes, Levied for Debt Service | 1,024,767 |
| GC | Grants and Contributions not Restricted | 15,946,055 |
| IE | Investment Earnings | 171,969 |
| MI | Miscellaneous Local and Intermediate Revenue | 924 |
| TR | Total General Revenues | 30,746,545 |
| CN | Change in Net Position | 1,097,405 |
| NB | Net Position - Beginning | 24,602,909 |
| NE | Net Position - Ending | $ 25,700,314 |

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

EXHIBIT C-1

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

| Data Control Codes | | 10 General Fund | Other Funds | Total Governmental Funds |
|---|---|---|---|---|
| | ASSETS | | | |
| 1110 | Cash and Cash Equivalents | $ 15,989,517 | $ 1,025,127 | $ 17,014,644 |
| 1220 | Property Taxes - Delinquent | 429,112 | 52,191 | 481,303 |
| 1230 | Allowance for Uncollectible Taxes | (42,911) | (5,219) | (48,130) |
| 1240 | Due from Other Governments | 902,974 | 576,543 | 1,479,517 |
| 1260 | Due from Other Funds | 317,994 | - | 317,994 |
| 1290 | Other Receivables | 25,186 | 22,880 | 48,066 |
| 1300 | Inventories | 41,021 | - | 41,021 |
| 1000 | Total Assets | $ 17,662,893 | $ 1,671,522 | $ 19,334,415 |
| | LIABILITIES | | | |
| 2110 | Accounts Payable | $ 217,158 | $ 88,468 | $ 305,626 |
| 2140 | Interest Payable - Current | - | 60,992 | 60,992 |
| 2160 | Accrued Wages Payable | 1,395,126 | 175,896 | 1,571,022 |
| 2170 | Due to Other Funds | - | 317,994 | 317,994 |
| 2180 | Due to Other Governments | 644,890 | 5,959 | 650,849 |
| 2200 | Accrued Expenditures | 29,274 | 17,939 | 47,213 |
| 2000 | Total Liabilities | 2,286,448 | 667,248 | 2,953,696 |
| | DEFERRED INFLOWS OF RESOURCES | | | |
| 2601 | Unavailable Revenue - Property Taxes | 386,201 | 46,971 | 433,172 |
| 2600 | Total Deferred Inflows of Resources | 386,201 | 46,971 | 433,172 |
| | FUND BALANCES | | | |
| | Nonspendable Fund Balance: | | | |
| 3410 | Inventories | 41,021 | - | 41,021 |
| | Restricted Fund Balance: | | | |
| 3450 | Federal or State Funds Grant Restriction | - | 309,870 | 309,870 |
| 3480 | Retirement of Long-Term Debt | - | 481,929 | 481,929 |
| 3490 | Other Restricted Fund Balance | - | 153 | 153 |
| | Assigned Fund Balance: | | | |
| 3590 | Other Assigned Fund Balance | - | 165,351 | 165,351 |
| 3600 | Unassigned Fund Balance | 14,949,223 | - | 14,949,223 |
| 3000 | Total Fund Balances | 14,990,244 | 957,303 | 15,947,547 |
| 4000 | Total Liabilities, Deferred Inflows & Fund Balances | $ 17,662,893 | $ 1,671,522 | $ 19,334,415 |

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, 2020

EXHIBIT C-2

| | | |
|---|---|---|
| **Total Fund Balances - Governmental Funds** | $ | 15,947,547 |
| 1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. | | 93,922,047 |
| 2 Accumulated depreciation is not reported in the fund financial statements. | | (38,479,461) |
| 3 Bonds, notes and capital leases payable are not reported in the fund financial statements. | | (26,052,235) |
| 4 The District participates in the TRS-Care plan for retirees through TRS. The District's share of the TRS plan resulted in a net OPEB liability of $11,380,573, a deferred outflow of $2,721,477 and a deferred inflow of $4,923,405. This resulted in a difference between the ending fund balance and the ending net position of ($13,582,501). | | (13,582,501) |
| 5 Accumulated accretion on capital appreciation bonds is not reported in the fund financial statements. | | (114,959) |
| 6 Interest is accrued on the outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expense is reported when due. | | (35,395) |
| 7 Property tax revenue reported as unavailable revenue in the fund financial statements was recognized as revenue in the government-wide financial statements. | | 433,171 |
| 8 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. The net position related to TRS included a deferred resource outflow in the amount of $4,733,964, a deferred resource inflow in the amount of $1,521,846 and a net pension liability in the amount of $9,164,013. This resulted in a decrease in net position. | | (5,951,895) |
| 9 Bond premium and discount is not recognized in the fund financial statements. | | (1,658,021) |
| 10 Deferred loss on bond refunding is not recognized in the fund financial statements. | | 1,272,016 |
| **19 Net Position of Governmental Activities** | $ | 25,700,314 |

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

EXHIBIT C-3

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | | 10 General Fund | Other Funds | Total Governmental Funds |
|---|---|---|---|---|
| | REVENUES: | | | |
| 5700 | Total Local and Intermediate Sources | $ 13,909,112 | $ 1,427,967 | $ 15,337,079 |
| 5800 | State Program Revenues | 17,284,733 | 88,028 | 17,372,761 |
| 5900 | Federal Program Revenues | 513,940 | 5,174,935 | 5,688,875 |
| 5020 | Total Revenues | 31,707,785 | 6,690,930 | 38,398,715 |
| | EXPENDITURES: | | | |
| | Current: | | | |
| 0011 | Instruction | 15,453,869 | 2,525,796 | 17,979,665 |
| 0012 | Instructional Resources and Media Services | 605,331 | 16,127 | 621,458 |
| 0013 | Curriculum and Instructional Staff Development | 219,626 | 889,202 | 1,108,828 |
| 0021 | Instructional Leadership | 671,852 | - | 671,852 |
| 0023 | School Leadership | 1,610,529 | 91,086 | 1,701,615 |
| 0031 | Guidance, Counseling, and Evaluation Services | 861,359 | 151,748 | 1,013,107 |
| 0032 | Social Work Services | 276,382 | - | 276,382 |
| 0033 | Health Services | 345,718 | 43,954 | 389,672 |
| 0034 | Student (Pupil) Transportation | 1,056,342 | - | 1,056,342 |
| 0035 | Food Services | 9,032 | 2,265,049 | 2,274,081 |
| 0036 | Extracurricular Activities | 1,349,224 | 33,837 | 1,383,061 |
| 0041 | General Administration | 1,209,633 | 15,294 | 1,224,927 |
| 0051 | Facilities Maintenance and Operations | 2,824,193 | - | 2,824,193 |
| 0052 | Security and Monitoring Services | 26,373 | 51,698 | 78,071 |
| 0053 | Data Processing Services | 122,803 | - | 122,803 |
| | Debt Service: | | | |
| 0071 | Principal on Long-Term Debt | 422,209 | 1,350,000 | 1,772,209 |
| 0072 | Interest on Long-Term Debt | 54,504 | 930,062 | 984,566 |
| 0073 | Bond Issuance Cost and Fees | - | 2,000 | 2,000 |
| | Capital Outlay: | | | |
| 0081 | Facilities Acquisition and Construction | 3,894,304 | - | 3,894,304 |
| | Intergovernmental: | | | |
| 0099 | Other Intergovernmental Charges | 246,351 | - | 246,351 |
| 6030 | Total Expenditures | 31,259,634 | 8,365,853 | 39,625,487 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | 448,151 | (1,674,923) | (1,226,772) |
| | OTHER FINANCING SOURCES (USES): | | | |
| 7915 | Transfers In | - | 1,100,288 | 1,100,288 |
| 8911 | Transfers Out (Use) | (1,077,000) | (23,288) | (1,100,288) |
| 7080 | Total Other Financing Sources (Uses) | (1,077,000) | 1,077,000 | - |
| 1200 | Net Change in Fund Balances | (628,849) | (597,923) | (1,226,772) |
| 0100 | Fund Balance - September 1 (Beginning) | 15,619,093 | 1,555,226 | 17,174,319 |
| 3000 | Fund Balance - August 31 (Ending) | $ 14,990,244 | $ 957,303 | $ 15,947,547 |

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT EXHIBIT C-4
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

| | | |
|---|---|---|
| **Total Net Change in Fund Balances - Governmental Funds** | $ | (1,226,772) |
| Current year capital asset additions are expenditures in the fund financial statement but shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position. | | 4,348,698 |
| Current year principal payments on debt are expenditures in the fund financial statements, but they are shown as reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 debt principal payments is to increase net position. | | 1,772,210 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. | | (2,317,020) |
| Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. | | (416) |
| GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $750,105. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling $618,386. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net position expense decreased the change in net position by $1,346,198. The net result is an decrease in the change in net position. | | (1,214,479) |
| GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $182,916. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net postion totaling $171,868. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in the net position by $317,911. The net result is a decrease in the change in net position. | | (306,863) |
| Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in interest expense in the government-wide financial statements. | | 146,213 |
| Current year amortization of the deferred loss on bond refunding is not recorded in the fund financial statements, but is shown as an increase in interest expense in the government-wide financial statements. | | (87,106) |
| Current year accretion on capital appreciation bonds is not recorded in the fund financial statements, but is shown as an increase in interest expense in the government-side financial statements. | | (10,596) |
| Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures. Such revenue is recognized when assessed, | | (6,464) |

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

net of an allowance for uncollectible amounts in the government-side financial statements.

| | |
|---|---|
| **Change in Net Position of Governmental Activities** | $ 1,097,405 |

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

EXHIBIT E-1

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2020

| | Total Custodial Funds |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 83,214 |
| Total Assets | 83,214 |
| LIABILITIES | |
| Accounts Payable | 220 |
| Total Liabilities | 220 |
| NET POSITION | |
| Restricted for Campus Activities | 82,994 |
| Total Net Position | $ 82,994 |

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

EXHIBIT E-2

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| | Total Custodial Funds |
|---|---|
| **ADDITIONS:** | |
| Received from Student Groups | $ 62,072 |
| Total Additions | 62,072 |
| **DEDUCTIONS:** | |
| Supplies and Materials | 59,614 |
| Total Deductions | 59,614 |
| Change in Fiduciary Net Position | 2,458 |
| Total Net Position - September 1 (Beginning) | - |
| Prior Period Adjustment | 80,536 |
| Total Net Position - August 31 (Ending) | $ 82,994 |

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

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

### A. REPORTING ENTITY

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

### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

## C. MEASUREMENT FOCUS/ BASIS OF ACCOUNTING

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

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

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

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

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

Fiduciary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognized revenues in the accounting period in which they are earned and become measurable and expense in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

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

## D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund types:

**Governmental Funds:**

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

**Fiduciary Funds:**

- **Custodial Funds** account for resources held for others in a custodial capacity in custodial funds which include accounting for activities for student groups and other organizational activities. Custodial Funds report fiduciary activities for which there is not trust or equivalent arrangement. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriation utilization through a budgeted program.

## E. OTHER ACCOUNTING POLICIES

1. **Cash and cash equivalents** –The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments, which are investments with original maturities of three months or less from date of acquisition.

2. **Inventories** – The District reports inventories of supplies such as consumable maintenance, instruction, office, athletic, and transportation items valued at original cost.

3. **Long-term debt** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which is not significantly different from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses at time of bond issuance.

   In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether 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, 2020 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 improvements are capitalized as projects are constructed. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

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

The District has no restrictions on capital assets.

6. **Fund balances** – According to the District's fund balance policy, fund balance is comprised of the following components:

- **Nonspendable** – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The District had nonspendable fund balance for inventory ($41,021).
- **Restricted** – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws of regulations of other governments. The District had restricted fund balances for federal and state programs ($309,870), retirement of long-term debt ($481,929), and other restricted funds ($153).
- **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, 2020 the District had no committed fund balances.
- **Assigned** – Amounts that are designated by the District for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Trustees. At August 31, 2020, the District had assigned fund balance in the amount of $165,351 related to the campus activity funds.
- **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. **Deferred Outflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources,* represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. The District reported the following Deferred Outflows of Resources on the government wide Statement of Net Position:

| | | |
|---|---|---|
| Deferred Charge for Refunding | $ | 1,272,016 |
| Deferred Outflow Related to TRS | | 4,733,964 |
| Deferred Outflow Related to TRS OPEB | | 2,721,477 |
| Total Deferred Outflows of Resources | $ | 8,727,457 |

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

| | | |
|---|---|---|
| Deferred Inflow Related to TRS | $ | 1,521,846 |
| Deferred Inflow Related to TRS OPEB | | 4,923,405 |
| Total Deferred Inflows of Resources | $ | 6,445,251 |

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

10. **Data control codes** – The data control codes refer to the account code structure prescribed by TEA in the *FASRG.* TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

11. **Risk Management** - The District is exposed to various risks of loss related torts, theft, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. During fiscal year 2020, 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. 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:

| | Amendment |
|---|---|
| Softball/Baseball Turf Fields and Tennis Court Construction | $ 3,591,070 |

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:

| | Fund Balance |
|---|---|
| Appropriated Budget Funds | |
| National Breakfast and Lunch Program | $ 158,003 |
| Nonappropriated Budget Funds | |
| Advanced Placement Incentives | 11 |
| GISD Education Foundation | 153 |
| State Textbook Fund | 151,856 |
| Campus Activity Funds | 165,351 |

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

**C. DEFICIT FUND EQUITY**

There are no deficit fund balances in the current year.

## III. DETAILED NOTES ON ALL FUNDS

### A. CASH, CASH EQUIVALENTS AND INVESTMENTS

**Cash and Cash Equivalents**

District Policies and Legal and Contractual Provisions Concerning Deposits

- *Custodial Credit Risk for Deposits* - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. As of August 31, 2020, the District's bank balances totaled $18,368,141. 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, 2020, 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:

| Type of Deposit | Fair Value | Percent | Maturity in Less than 1 Year | Maturity in 1-10 Years | Maturity in Over 10 Years | Credit Rating |
|---|---|---|---|---|---|---|
| Cash | $ 17,097,858 | 100% | $ 17,097,858 | $ - | $ - | n/a |

**Investments**

District Policies and Legal and Contractual Provisions Concerning Investments

**Compliance with the Public Funds Investment Act**

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

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or insured certificates of deposit issued by state and national banks domiciled in the State of Texas; (3) obligations of state, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and its fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds 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, 2020, 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, 2020, the District had no investments. and therefore, was not exposed to custodial credit risk.
- *Concentration of Credit Risk* - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District shall diversify in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuers. As of August 31, 2020, 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, 2020, 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, 2020 consisted of the following individual fund balances:

| Due To General Fund From: | Amount | Purpose |
|---|---|---|
| Nonmajor Funds: | | |
| Head Start | $ 55,139 | Grant funds expended, not received at year-end |
| ESSER-School Emergency Relief | 137,738 | Grant funds expended, not received at year-end |
| GISD Education Foundation | 20,910 | Grant funds expended, not received at year-end |
| ESEA Title II Part A Training & Recruiting | 13,379 | Grant funds expended, not received at year-end |
| ESEA Title IV, Pt B Rural & Low Income | 1,208 | Grant funds expended, not received at year-end |
| School Safety and Security | 1,426 | Grant funds expended, not received at year-end |
| Summer School LEP | 5,200 | Grant funds expended, not received at year-end |
| E3 Grants | 76,842 | Grant funds expended, not received at year-end |
| State Instructional Materials | 6,152 | Grant funds expended, not received at year-end |
| Total Due To General Fund | $ 317,994 | |

The interfund transfers for the year ended August 31, 2020 are as follows:

| Transfers From General Fund To: | Amount | Reason |
|---|---|---|
| Nonmajor Funds: | | |
| Debt Service Fund | $ 1,077,000 | To supplement debt service payments |
| Transfer From Summer Feeding Program | | |
| National Breakfast and Lunch Program | 23,288 | To supplement food service program |
| | 1,100,288 | |

## E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2020 were as follows:

| | Governmental Funds | | |
|---|---|---|---|
| | General Fund | Nonmajor Funds | Total Receivables |
| Property Taxes | $ 429,112 | $ 52,191 | $ 481,303 |
| Less Allowance for Uncollectible | (42,911) | (5,219) | (48,130) |
| Other Governments | 902,974 | 576,543 | 1,479,517 |
| Other Funds | 317,994 | - | 317,994 |
| Other | 25,186 | 22,880 | 48,066 |
| | $1,632,355 | $ 646,395 | $2,278,750 |
| Amounts Not Expected to be Collected During Subsequent Year (Included Above): | | | |
| Property Taxes | $ 379,267 | $ 47,036 | $ 426,303 |

Payables at August 31, 2020 were as follows:

| | Governmental Funds | | Fiduciary Fund | Statement | |
|---|---|---|---|---|---|
| | General Fund | Nonmajor Funds | Custodial Fund | of Net Position | Total Payables |
| Interest Payable | $ - | $ 60,992 | $ - | $ 35,395 | $ 96,387 |
| Accounts Payable | 217,158 | 88,468 | 220 | - | 305,846 |
| Salaries and Benefits | 1,424,400 | 193,835 | - | - | 1,618,235 |
| Due to Other Governments | 644,890 | 5,959 | - | | 650,849 |
| Other Funds | - | 317,994 | - | - | 317,994 |
| | $ 2,286,448 | $ 667,248 | $ 220 | $ 35,395 | $2,989,311 |

## F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2020 was as follows:

| Governmental Activities | Balance 9/1/2019 | Increases | Reclassifications/ Reductions | Balance 8/31/2020 |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 2,003,821 | $ - | $ - | $ 2,003,821 |
| Capital Assets Being Depreciated: | | | | |
| Buildings & Improvements | 81,175,049 | 3,894,304 | - | 85,069,353 |
| Furniture & Equipment | 6,615,562 | 454,394 | (221,082) | 6,848,874 |
| | 87,790,611 | 4,348,698 | (221,082) | 91,918,227 |
| Less Accumulated Depreciation | | | | |
| Buildings & Improvements | 31,598,339 | 1,769,928 | - | 33,368,267 |
| Furniture & Equipment | 4,785,184 | 547,092 | (221,082) | 5,111,194 |
| | 36,383,523 | 2,317,020 | (221,082) | 38,479,461 |
| Net Capital Assets Being Depreciated | 51,407,088 | 2,031,678 | - | 53,438,766 |
| Net Capital Assets | $ 53,410,909 | $ 2,031,678 | $ - | $ 55,442,587 |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| Instruction | $ 1,456,786 |
| Instructional Resources and Media Services | 14,779 |
| School Leadership | 15,001 |
| Guidance, Counseling and Evaluation Services | 10,478 |
| Health Services | 10,109 |
| Student Transportation | 291,242 |
| Food Services | 119,544 |
| Cocurricular/Extracurricular Activities | 242,352 |
| General Administration | 3,634 |
| Plant Maintenance | 112,495 |
| Security and Monitoring Services | 17,999 |
| Data Processing | 22,601 |
| Total Depreciation Expense | $ 2,317,020 |

## 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, 2020 is as follows:

| Issue | Interest Rates | Original Issue Amount | Interest Current Year | Amounts Outstanding 9/1/2019 | Issued | Retired/ Refunded | Amounts Outstanding 8/31/2020 | Due Within One Year |
|---|---|---|---|---|---|---|---|---|
| Bonds: | | | | | | | | |
| Series 2008, Refunding | 1.69% | $ 2,610,000 | $ 8,499 | $ 660,000 | $ - | $ (325,000) | $ 335,000 | $ 335,000 |
| Series 2013, Refunding | 3%-3.5% | 7,135,000 | 364,088 | 6,935,000 | - | (5,000) | 6,930,000 | 5,000 |
| Series 2014, Refunding | 3%-4% | 9,050,000 | 304,375 | 8,825,000 | - | (140,000) | 8,685,000 | 135,000 |
| Series 2014A, Refunding | 3% | 3,795,000 | 96,600 | 3,270,000 | - | (100,000) | 3,170,000 | 110,000 |
| Series 2015, Refunding | 2.25-3% | 8,695,000 | 156,500 | 6,330,000 | - | (780,000) | 5,550,000 | 805,000 |
| Total Bonds Payable | | | 930,062 | 26,020,000 | - | (1,350,000) | 24,670,000 | 1,390,000 |
| Notes Payable: | | | | | | | | |
| Maintenance Tax Notes 2007 | 4.5% | | 17,321 | 455,000 | - | (145,000) | 310,000 | 150,000 |
| Maintenance Tax Notes 2013 | .42%-3.2% | 1,770,000 | 22,805 | 892,979 | - | (99,000) | 793,979 | 99,000 |
| Total Notes Payable | | 1,486,979 | 40,126 | 1,347,979 | - | (244,000) | 1,103,979 | 249,000 |
| Capital Leases Payable: | | | | | | | | |
| FSB Bus Lease | 3.39% | 448,768 | 11,643 | 364,945 | - | (86,689) | 278,256 | 89,652 |
| Government Capital | 2.98% | 439,950 | 2,735 | 91,521 | - | (91,521) | - | - |
| Total Capital Leases | | | 14,378 | 456,466 | - | (178,210) | 278,256 | 89,652 |
| Total Bonds, Notes & Capital Leases | | | $ 984,566 | $27,824,445 | $ - | $ (1,772,210) | $ 26,052,235 | $ 1,728,652 |
| Unamortized Premium on Bonds | | | - | 1,804,234 | - | (146,213) | 1,658,021 | - |
| Accreted Interest Payable | | | - | 104,363 | - | 10,596 | 114,959 | - |
| Total Long Term Debt A-1 | | | 984,566 | 29,733,042 | - | (1,907,827) | 27,825,215 | $ 1,728,652 |
| Net Pension Liability | | | | $ 9,248,067 | $ 532,976 | $ 617,030 | $ 9,164,013 | |
| Net OPEB Liability | | | | $ 11,468,974 | $ 82,393 | $ 170,794 | $ 11,380,573 | |

Accreted Interest Payable

A portion of the 2013 and 2014 refunding bonds consisted of capital appreciation bonds (CABS). These bonds are zero-coupon bonds with deep discounts. The difference between the initial price of the bonds plus the premium on the CABS and the maturity value represents interest. This interest is accreted over the term of the bonds and is recorded as a liability in the District's financial statements. The schedule above summarizes the changes in accreted interest payable during the year ended August 31, 2020.

| | Balance 9/1/2019 | Additions | Retired | Balance 8/31/2020 |
|---|---|---|---|---|
| Accreted Interest Payable | $ 104,363 | $ 10,596 | $ - | $ 114,959 |

Defeased Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On August 31, 2020, the following bonds considered defeased are still outstanding:

| | Amount Outstanding 8/31/2020 |
|---|---|
| Series 1995 | $ 1,590,000 |
| Series 1997 | 1,950,000 |
| Series 1998 | 345,000 |
| Series 2004 | 3,530,000 |
| Series 2006 | 22,670,000 |

## H. DEBT SERVICE REQUIREMENTS - BONDS

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

| Year Ended August 31, | Principal | Interest | Total |
|---|---|---|---|
| 2021 | 1,728,652 | 933,382 | 2,662,034 |
| 2022 | 1,796,717 | 865,934 | 2,662,651 |
| 2023 | 1,684,887 | 837,292 | 2,522,179 |
| 2024 | 1,644,000 | 678,566 | 2,322,566 |
| 2025 | 1,409,000 | 642,651 | 2,051,651 |
| 2026-2030 | 7,448,979 | 2,514,752 | 9,963,731 |
| 2031-2035 | 8,470,000 | 1,017,921 | 9,487,921 |
| 2036-2038 | 1,870,000 | 30,381 | 1,900,381 |
| Total | $ 26,052,235 | $ 7,520,879 | $33,573,114 |

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, 2020.

## I. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2019 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 | 902,974 | 159,434 | 1,062,408 |
| Federal Grants | - | 417,109 | 417,109 |
| Totals | $ 902,974 | $ 576,543 | $ 1,479,517 |

## J. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

| | Governmental Funds | | |
|---|---|---|---|
| | General Fund | Nonmajor Funds | Totals |
| Property Taxes | $ 13,554,986 | $ 1,019,446 | $ 14,574,432 |
| Penalties and Interest On Property Taxes | 54,308 | 5,321 | 59,629 |
| Investment Income | 166,232 | 5,737 | 171,969 |
| Rent | 630 | - | 630 |
| Food Sales | - | 207,884 | 207,884 |
| Co-curricular Student Activities | 50,341 | - | 50,341 |
| Miscellaneous | 82,615 | 189,579 | 272,194 |
| | $ 13,909,112 | $ 1,427,967 | $ 15,337,079 |

## K. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2020 as follows:

| Year Ended August 31, | Amount |
|---|---|
| 2021 | 28,848 |
| 2022 | 28,848 |
| 2023 | 24,040 |
| Total | $ 81,736 |

The lease expense for the year ended August 31, 2020 was $31,774.

## L. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

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

## M. PENSION PLAN

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

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

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

| Components of Net Pension Liability | Total |
|---|---|
| Total Pension Liability | $ 209,961,325,288 |
| Less: Plan Fiduciary Net Position | (157,978,199,075) |
| Net Pension Liability | $ 51,983,126,213 |
| Net Position as a percentage of Total Pension Liability | 75.24% |

***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.

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.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislatures to approve funding a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity payment or $2,000, whichever was less.

***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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025. Contribution Rates can be found in the TRS 2019 CAFR, Note 11 on page 76.

**Contribution Rates**

| | 2019 | 2020 |
|---|---|---|
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | 6.8% | 7.5% |
| Employers | 6.8% | 7.5% |

| | |
|---|---|
| Current fiscal year employer contributions | $ 750,105 |
| Current fiscal year member contributions | $ 1,568,136 |
| 2019 measurement year NECE on-behalf contributions | $ 838,823 |

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual 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 an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contributions rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

***Actuarial Assumptions.***
**Roll Forward** – A change was made in the measurement date of the total pension liability for the 2019 measurement year. The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2018 and were adopted in July 2018.

The active mortality rates were based on 90% of the RP 2014 Employee Mortality Tables for males and females. The posts-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP.

The following table discloses the assumptions that were applied to this measurement period:

| | |
|---|---|
| Valuation date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial cost method | Individual entry age normal |
| Asset Valuation Method | Market value |
| Single discount rate | 7.250% |
| Long-term expected rate | 7.250% |
| Municipal Bond Rate as of August, 2019 | 2.63%-Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index" |
| Last year ending August 31 in projection Period (100 years) | 2116 |
| Inflation | 2.30% |
| Salary increases | 3.05%-9.05%, including inflation |
| Ad-hoc post employment benefit changes | None |

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions, please see the TRS actuarial valuation report dated November 9, 2018.

***Discount Rate.*** The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity are made at the rate set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.5% of payroll in fiscal year 2020 gradually increasing 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payment of current plan member. 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 7.25%. 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 System's target asset allocation as of August 31, 2019 (see page 52 of the TRS CAFR) are summarized below:

| Asset Class | FY2019 Target Allocation* | New Target Allocation** | Long-term Expected Geometric Real Rate of Return *** |
|---|---|---|---|
| **Global Equity** | | | |
| USA | 18.00% | 18.00% | 6.40% |
| Non-US Developed | 13.00 | 13.00 | 6.30 |
| Emerging Markets | 9.00 | 9.00 | 7.30 |
| Directional Hedge Funds | 4.00 | - | - |
| Private Equity | 13.00 | 14.00 | 8.40 |
| **Stable Value** | | | |
| U.S. Treasuries**** | 11.00 | 16.00 | 3.10 |
| Stable Value Hedge Funds | 4.00 | 5.00 | 4.50 |
| Absolute Return (including Credit Sensitive Investments) | - | - | - |
| **Real Return** | | | |
| Global Inflation Linked Bonds**** | 3.00 | - | - |
| Real Estate | 14.00 | 15.00 | 8.50 |
| Energy, Natural Resources and Infrastructure | 5.00 | 6.00 | 7.30 |
| Commodities | - | - | - |
| **Risk Parity** | | | |
| Risk Parity | 5.00 | 8.00 | 5.8%/6.5%***** |
| Asset Allocation Leverage Cash | 1.00 | 2.00 | 2.50 |
| Asset Allocation Leverage | - | (6.00) | 2.70 |
| **Expected Return** | | | 7.23% |

* *FY2019 Target Allocations are based on the Strategic Asset Allocation Dated 10/1/2018*

** *New target allocation based on the Strategic Asset Allocation dated 10/1/2019*

*** *10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%*

**** *New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds*

***** *5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility*

***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 (7.25%) in measuring the Net Pension Liability. The discount rate can be found in the 2019 TRS CAFR, Note 11, page 78.

| | 1% Decrease in Discount Rate (6.25%) | Discount Rate (7.25%) | 1% Increase in Discount Rate (8.25%) |
|---|---|---|---|
| District's proportionate share of net pension liability | $ 14,086,419 | $ 9,164,013 | $ 5,175,914 |

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At August 31, 2020, Gainesville Independent School District reported a liability of $9,164,013 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 | $ 9,164,013 |
| State's proportionate share that is associated with the District | 12,458,564 |
| Total | $ 21,622,577 |

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019, the employer's proportion of the collective net pension liability was .0176288215% which was an increase of .0008271146% from its proportion measured as of August 31, 2018.

**Changes Since the Prior Actuarial Valuation** - Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a $2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding a 13th check. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or $2,000, whichever is less.

For the year ended August 31, 2020, Gainesville Independent School District recognized pension expense of $3,921,649 and revenue of $1,957,065 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2020 Gainesville Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|---|---|
| Differences between expected and actual experiences | $ 38,497 | $ 318,189 |
| Changes in actuarial assumptions | 2,843,127 | 1,174,914 |
| Differences between projected and actual investment earnings | 92,017 | - |
| Changes in proportion and differences between the employer's contribution and the proportionate share of contributions | 1,010,218 | 28,743 |
| Total as of August 31, 2019 measurement date | $ 3,983,859 | $ 1,521,846 |
| Contributions paid to TRS subsequent to the measurement date | 750,105 | - |
| Total as of fiscal year-end | $ 4,733,964 | $ 1,521,846 |

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

| Year Ended August 31, | Pension Expense Amount |
|---|---|
| 2021 | 612,265 |
| 2022 | 507,046 |
| 2023 | 623,167 |
| 2024 | 586,652 |
| 2025 | 199,446 |
| Thereafter | (66,563) |

## N. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

***OPEB Plan Fiduciary Net Position.*** Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Comprehensive annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2019 are as follows:

| Net OPEB Liability | Total |
|---|---|
| Total OPEB Liability | $ 48,583,247,239 |
| Less: Plan Fiduciary Net Position | (1,292,022,349) |
| Net OPEB Liability | $ 47,291,224,890 |
| Net Position as a percentage of Total OPEB Liability | 2.66% |

***Benefits Provided.*** TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage health plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

The premium rates for retirees are present in the following table:

TRS-Care Monthly Premium Rates

| | Medicare | Non-Medicare |
|---|---|---|
| Retiree or Surviving Spouse | $ 135 | $ 200 |
| Retiree and Spouse | 529 | 689 |
| Retiree or Surviving Spouse & Children | 468 | 408 |
| Retiree and Family | 1,020 | 999 |

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

**Contribution Rates**

| | 2019 | 2020 |
|---|---|---|
| Member | 0.65% | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |
| Federal/Private funding Remitted by Employers | 1.25% | 1.25% |

| | |
|---|---|
| Current fiscal year employer contributions | $ 182,916 |
| Current fiscal year member contributions | 132,377 |
| 2019 measurement year NECE on-behalf contributions | 226,933 |

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay to TRS-Care, a monthly surcharge of $535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributions in the amount of $73.6 million in fiscal year 2019.

***Actual Assumptions.*** The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2019 TRS CAFR, Note 9, Page 70.*

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018. TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

Additional actuarial methods and assumptions:

| | |
|---|---|
| Valuation date | August 31, 2018 rolled forward to August 31, 2019 |
| Actuarial cost method | Individual entry age normal |
| Inflation | 2.30% |
| Single discount rate | 2.63% as of August 31, 2019 |
| Aging factors | Based on plan specific experience |
| Election rates | Normal retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65. |
| Expenses | Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs |
| Projected salary increases | 3.05%-9.05%, including inflation |
| Ad-hoc post employment benefit changes | None |

The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of $850/$2,292 were indexed annually by 2.3%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55

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

***Discount Rate.*** A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% in the discount rate since the previous year. The Discount Rate can be found in the 2019 TRS CAFR on page 70. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Sensitivity of the Net OPEB Liability:***
***Discount Rate Sensitivity Analysis.*** The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

| | 1% Decrease in Discount Rate (1.63%) | Discount Rate (2.63%) | 1% Increase in Discount 3.63% |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 13,740,005 | $ 11,380,573 | $ 9,534,790 |

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.*** At August 31, 2020, the District reported a liability of $11,380,573 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for the State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District as follows:

| | |
|---|---|
| District's proportionate share of the collective net OPEB liability | $ 11,380,573 |
| State's proportionate share that is associated with the District | 15,122,238 |
| Total | $ 26,502,811 |

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was 0.0240648752% which was an increase of .0010951895% from its proportion measured as of August 31, 2018.

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

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| District's proportionate share of the net OPEB liability | $ 9,283,873 | $ 11,380,573 | $ 14,189,191 |

**Changes Since the Prior Actuarial Valuation.** The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period: These can be found in the TRS CAFR on page 71.

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB liability (TOL).
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date-There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, Gainesville Independent School District recognized OPEB expense of $888,339 and revenue of $398,560 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|---|---|---|
| Differences between expected and actual experiences | $ 558,314 | $ 1,862,310 |
| Changes in actuarial assumptions | 632,102 | 3,061,095 |
| Differences between projected and actual investment earnings | 1,228 | - |
| Changes in proportion and differences between the employer's contribution and the proportionate share of contributions | 1,346,917 | - |
| Total as of August 31, 2019 measurement date | $ 2,538,561 | $ 4,923,405 |
| Contributions paid to TRS subsequent to the measurement date | 182,916 | - |
| Total as of fiscal year-end | $ 2,721,477 | $ 4,923,405 |

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

| Year Ended August 31, | Pension Expense Amount |
|---|---|
| 2021 | $ (447,240) |
| 2022 | (447,240) |
| 2023 | (447,638) |
| 2024 | (447,865) |
| 2025 | (447,803) |
| Thereafter | (147,058) |

***Medicare Part D.*** The Medicare Prescription Drug, Improvement and Modernization ACT of 2003, 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 form the federal government to offset certain prescription drug, expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2020, 2019 and 2018, the subsidy payments received by TRS-Care on behalf of the District were $86,087, $66,392, and $53,473, respectively. The information for the year ended August 31, 2020 is an estimate provide by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental fund's financial statements of the District.

## O. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

### Retiree Health Care Coverage

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

During the year ended August 31, 2020, the District paid premiums of $291.66 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer.

## P. UNAVAILABLE/UNEARNED REVENUE

Unavailable revenue at year end consisted of the following:

| | General Fund | Debt Service Fund | Total |
|---|---|---|---|
| Net Tax Revenue | $ 386,201 | $ 46,971 | $ 433,172 |

## Q. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District had the following construction commitments at August 31, 2020:

| | Total Committed | Expended as of 8/31/2020 | Balance |
|---|---|---|---|
| Construction of Tennis Courts & Turf Fields | $ 3,681,152 | 3,620,941 | $ 60,211 |

## R. RELATED ORGANIZATIONS

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

## S. PRIOR PERIOD ADJUSTMENT

The District implemented GASB Statement No. 84, Fiduciary Activities in the current fiscal year. The objective of the Statement was to make fiduciary activity reporting more consistent and comparable and assess the accountability of governments in their roles as fiduciaries through improved usefulness of fiduciary activity information. This statement impacts the District first in that some student activity funds are reclassified to special revenue funds. Secondly, the District was required to report Custodial (formerly Agency) Fund assets and liabilities and any difference of assets and liabilities as net position on the statement of fiduciary net position and additions and deductions on the statement of changes in fiduciary net position. As a result of implementing this statement, prior period adjustments were reflected to account retroactively for the accumulated net position of the Custodial Funds in the amount of $80,536 for the District.

## t. SUBSEQUENT EVENT

The District's management has evaluated subsequent events though January 15, 2021, the date which the financial statements were available for issue and has determined that the following subsequent event requires disclosure in the financial statements.

As a result of the spread of Covid-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial statements of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

# REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT G-1

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ 13,094,599 | $ 13,640,623 | $ 13,909,112 | $ 268,489 |
| 5800 | State Program Revenues | 18,853,323 | 19,307,872 | 17,284,733 | (2,023,139) |
| 5900 | Federal Program Revenues | 95,000 | 95,000 | 513,940 | 418,940 |
| 5020 | Total Revenues | 32,042,922 | 33,043,495 | 31,707,785 | (1,335,710) |
| | EXPENDITURES: | | | | |
| | Current: | | | | |
| 0011 | Instruction | 16,206,482 | 16,175,482 | 15,453,869 | 721,613 |
| 0012 | Instructional Resources and Media Services | 607,379 | 652,379 | 605,331 | 47,048 |
| 0013 | Curriculum and Instructional Staff Development | 393,376 | 393,376 | 219,626 | 173,750 |
| 0021 | Instructional Leadership | 604,286 | 714,286 | 671,852 | 42,434 |
| 0023 | School Leadership | 1,874,496 | 1,874,496 | 1,610,529 | 263,967 |
| 0031 | Guidance, Counseling, and Evaluation Services | 911,861 | 911,861 | 861,359 | 50,502 |
| 0032 | Social Work Services | 325,104 | 325,104 | 276,382 | 48,722 |
| 0033 | Health Services | 349,324 | 394,324 | 345,718 | 48,606 |
| 0034 | Student (Pupil) Transportation | 1,484,762 | 1,484,762 | 1,056,342 | 428,420 |
| 0035 | Food Services | - | - | 9,032 | (9,032) |
| 0036 | Extracurricular Activities | 1,560,326 | 1,560,326 | 1,349,224 | 211,102 |
| 0041 | General Administration | 1,196,540 | 1,277,540 | 1,209,633 | 67,907 |
| 0051 | Facilities Maintenance and Operations | 3,350,263 | 3,395,263 | 2,824,193 | 571,070 |
| 0052 | Security and Monitoring Services | 51,250 | 71,250 | 26,373 | 44,877 |
| 0053 | Data Processing Services | 146,376 | 166,376 | 122,803 | 43,573 |
| | Debt Service: | | | | |
| 0071 | Principal on Long-Term Debt | 424,942 | 424,942 | 422,209 | 2,733 |
| 0072 | Interest on Long-Term Debt | 54,363 | 54,600 | 54,504 | 96 |
| 0073 | Bond Issuance Cost and Fees | 500 | 263 | - | 263 |
| | Capital Outlay: | | | | |
| 0081 | Facilities Acquisition and Construction | 1,082,853 | 5,319,496 | 3,894,304 | 1,425,192 |
| | Intergovernmental: | | | | |
| 0099 | Other Intergovernmental Charges | 259,000 | 279,000 | 246,351 | 32,649 |
| 6030 | Total Expenditures | 30,883,483 | 35,475,126 | 31,259,634 | 4,215,492 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,159,439 | (2,431,631) | 448,151 | 2,879,782 |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 8911 | Transfers Out (Use) | (1,159,439) | (1,159,439) | (1,077,000) | 82,439 |
| 1200 | Net Change in Fund Balances | - | (3,591,070) | (628,849) | 2,962,221 |
| 0100 | Fund Balance - September 1 (Beginning) | 15,619,093 | 15,619,093 | 15,619,093 | - |
| 3000 | Fund Balance - August 31 (Ending) | $ 15,619,093 | $ 12,028,023 | $ 14,990,244 | $ 2,962,221 |

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, 2020

| | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|---|---|---|---|
| District's Proportion of the Net Pension Liability (Asset) | 0.017628821% | 0.016801707% | 0.016810589% |
| District's Proportionate Share of Net Pension Liability (Asset) | $ 9,164,013 | $ 9,248,067 | $ 5,375,121 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District | 12,458,564 | 13,265,551 | 8,104,995 |
| Total | $ 21,622,577 | $ 22,513,618 | $ 13,480,116 |
| District's Covered Payroll | $ 18,888,284 | $ 17,407,205 | $ 17,091,699 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 48.52% | 53.13% | 31.45% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.24% | 73.74% | 82.17% |

Note: GASB Codification, Vol. 2, P20.183 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, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

| FY 2017 Plan Year 2016 | FY 2016 Plan Year 2015 | FY 2015 Plan Year 2014 |
|---|---|---|
| 0.014958613% | 0.0158252% | 0.0105639% |
| $ 5,652,637 | $ 5,593,998 | $ 2,821,763 |
| 9,342,952 | 8,887,949 | 7,691,057 |
| $ 14,995,589 | $ 14,481,947 | $ 10,512,820 |
| $ 15,390,975 | $ 14,922,328 | $ 14,520,179 |
| 36.73% | 37.49% | 19.43% |
| 78.00% | 78.43% | 83.25% |

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Contractually Required Contribution | $ 750,105 | $ 618,386 | $ 567,591 |
| Contribution in Relation to the Contractually Required Contribution | 750,105 | 618,386 | 567,591 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - |
| District's Covered Payroll | $ 20,609,007 | $ 18,888,284 | $ 17,407,205 |
| Contributions as a Percentage of Covered Payroll | 3.63% | 3.27% | 3.26% |

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

| 2017 | 2016 | 2015 |
|---|---|---|
| $ 548,132 | $ 475,273 | $ 468,591 |
| 548,132 | 475,273 | 468,591 |
| $ - | $ - | $ - |
| $ 17,091,699 | $ 15,390,975 | $ 14,922,328 |
| 3.21% | 3.09% | 3.14% |

EXHIBIT G-4

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

| | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 | FY 2018 Plan Year 2017 |
|---|---|---|---|
| District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits | 0.024064875% | 0.022969686% | 0.02142619% |
| District's Proportionate Share of Net OPEB Liability (Asset) | $ 11,380,573 | $ 11,468,974 | $ 9,317,446 |
| State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District | 15,122,238 | 13,926,127 | 12,769,718 |
| Total | $ 26,502,811 | $ 25,395,101 | $ 22,087,164 |
| District's Covered Payroll | $ 18,888,284 | $ 17,407,205 | $ 17,091,699 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | 60.25% | 65.89% | 54.51% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 2.66% | 1.57% | 0.91% |

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Contractually Required Contribution | $ 182,916 | $ 171,868 | $ 159,745 |
| Contribution in Relation to the Contractually Required Contribution | 182,916 | 171,868 | 159,745 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - |
| District's Covered Payroll | $ 20,609,007 | $ 18,888,284 | $ 17,407,205 |
| Contributions as a Percentage of Covered Payroll | 0.89% | 0.91% | 0.92% |

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

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

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020

A. Notes to Schedules for the TRS Pension

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

*Changes of Assumptions.*
There were no changes in the actuarial assumptions used in the determination of the total pension liability during the measurement period.

The single discount rate was a blended rate of 6.907% as of August 31, 2018 and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.

With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries.

B. Notes to Schedules for the TRS OPEB Plan

*Changes in Benefit.*
There were no changes of benefit terms during the measurement period that affected the total OPEB liability.

*Changes in Assumptions.*
The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability (TOL) since the prior measurement period:

- The discount rate changed form 3.69% as of August 31, 2018 to 2.63% as of August 31, 20198. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retiree who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.

# COMBINING STATEMENTS

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

| 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 | Cash and Cash Equivalents | $ - | $ 83,277 | $ 31,360 | $ 1,494 |
| 1220 | Property Taxes - Delinquent | - | - | - | - |
| 1230 | Allowance for Uncollectible Taxes | - | - | - | - |
| 1240 | Due from Other Governments | 93,093 | - | 11,683 | - |
| 1290 | Other Receivables | - | - | - | - |
| 1000 | Total Assets | $ 93,093 | $ 83,277 | $ 43,043 | $ 1,494 |
| | LIABILITIES | | | | |
| 2110 | Accounts Payable | $ - | $ - | $ - | $ - |
| 2140 | Interest Payable - Current | - | - | - | - |
| 2160 | Accrued Wages Payable | 34,242 | 75,367 | 38,869 | 1,347 |
| 2170 | Due to Other Funds | 55,139 | - | - | - |
| 2180 | Due to Other Governments | - | - | - | - |
| 2200 | Accrued Expenditures | 3,712 | 7,910 | 4,174 | 147 |
| 2000 | Total Liabilities | 93,093 | 83,277 | 43,043 | 1,494 |
| | DEFERRED INFLOWS OF RESOURCES | | | | |
| 2601 | Unavailable Revenue - Property Taxes | - | - | - | - |
| 2600 | Total Deferred Inflows of Resources | - | - | - | - |
| | FUND BALANCES | | | | |
| | Restricted Fund Balance: | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | - |
| 3480 | Retirement of Long-Term Debt | - | - | - | - |
| 3490 | Other Restricted Fund Balance | - | - | - | - |
| | Assigned Fund Balance: | | | | |
| 3590 | Other Assigned Fund Balance | - | - | - | - |
| 3000 | Total Fund Balances | - | - | - | - |
| 4000 | Total Liabilities, Deferred Inflows & Fund Balances | $ 93,093 | $ 83,277 | $ 43,043 | $ 1,494 |

| 240 National Breakfast and Lunch Program | 242 Summer Feeding Program | 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 263 Title III, A English Lang. Acquisition | 266 ESSER -School Emergency Relief | 270 ESEA VI, Pt B Rural & Low Income | 276 Title I - SIP Academy Grant |
|---|---|---|---|---|---|---|---|
| $ 110,587 | $ 80,583 | $ - | $ - | $ 5,404 | $ - | $ - | $ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 56,988 | 7,886 | - | 13,379 | - | 137,738 | 1,208 | - |
| - | - | - | - | - | - | - | - |
| $ 167,575 | $ 88,469 | $ - | $ 13,379 | $ 5,404 | $ 137,738 | $ 1,208 | $ - |
| $ - | $ 88,469 | $ - | $ - | $ 1 | $ - | $ - | $ - |
| - | - | - | - | - | - | - | - |
| 9,388 | - | - | - | 4,873 | - | - | - |
| - | - | - | 13,379 | - | 137,738 | 1,208 | - |
| - | - | - | - | - | - | - | - |
| 184 | - | - | - | 530 | - | - | - |
| 9,572 | 88,469 | - | 13,379 | 5,404 | 137,738 | 1,208 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 158,003 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 158,003 | - | - | - | - | - | - | - |
| $ 167,575 | $ 88,469 | $ - | $ 13,379 | $ 5,404 | $ 137,738 | $ 1,208 | $ - |

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

| Data Control Codes | | 287 Title IV, Part A, Subpart 1 | 288 Summer School LEP | 289 E3 Grant | 397 Advanced Placement Incentives |
|---|---|---|---|---|---|
| | ASSETS | | | | |
| 1110 | Cash and Cash Equivalents | $ - | $ - | $ - | $ 11 |
| 1220 | Property Taxes - Delinquent | - | - | - | - |
| 1230 | Allowance for Uncollectible Taxes | - | - | - | - |
| 1240 | Due from Other Governments | - | 5,200 | 89,934 | - |
| 1290 | Other Receivables | - | - | - | - |
| 1000 | Total Assets | $ - | $ 5,200 | $ 89,934 | $ 11 |
| | LIABILITIES | | | | |
| 2110 | Accounts Payable | $ - | $ - | $ - | $ - |
| 2140 | Interest Payable - Current | - | - | - | - |
| 2160 | Accrued Wages Payable | - | - | 11,810 | - |
| 2170 | Due to Other Funds | - | 5,200 | 76,842 | - |
| 2180 | Due to Other Governments | - | - | - | - |
| 2200 | Accrued Expenditures | - | - | 1,282 | - |
| 2000 | Total Liabilities | - | 5,200 | 89,934 | - |
| | DEFERRED INFLOWS OF RESOURCES | | | | |
| 2601 | Unavailable Revenue - Property Taxes | - | - | - | - |
| 2600 | Total Deferred Inflows of Resources | - | - | - | - |
| | FUND BALANCES | | | | |
| | Restricted Fund Balance: | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | 11 |
| 3480 | Retirement of Long-Term Debt | - | - | - | - |
| 3490 | Other Restricted Fund Balance | - | - | - | - |
| | Assigned Fund Balance: | | | | |
| 3590 | Other Assigned Fund Balance | - | - | - | - |
| 3000 | Total Fund Balances | - | - | - | 11 |
| 4000 | Total Liabilities, Deferred Inflows & Fund Balances | $ - | $ 5,200 | $ 89,934 | $ 11 |

| 410 State Instructional Materials | 429 School Safety and Security | 461 Campus Activity Funds | 498 GISD Education Foundation | Total Nonmajor Special Revenue Funds | 599 Debt Service Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|---|
| $ - | $ - | $ 165,350 | $ - | $ 478,066 | $ 547,061 | $ 1,025,127 |
| - | - | - | - | - | 52,191 | 52,191 |
| - | - | - | - | - | (5,219) | (5,219) |
| 158,008 | 1,426 | - | - | 576,543 | - | 576,543 |
| - | - | - | 21,062 | 21,062 | 1,818 | 22,880 |
| $ 158,008 | $ 1,426 | $ 165,350 | $ 21,062 | $ 1,075,671 | $ 595,851 | $ 1,671,522 |
| $ - | $ - | $ (1) | $ (1) | $ 88,468 | $ - | $ 88,468 |
| - | - | - | - | - | 60,992 | 60,992 |
| - | - | - | - | 175,896 | - | 175,896 |
| 6,152 | 1,426 | - | 20,910 | 317,994 | - | 317,994 |
| - | - | - | - | - | 5,959 | 5,959 |
| - | - | - | - | 17,939 | - | 17,939 |
| 6,152 | 1,426 | (1) | 20,909 | 600,297 | 66,951 | 667,248 |
| - | - | - | - | - | 46,971 | 46,971 |
| - | - | - | - | - | 46,971 | 46,971 |
| 151,856 | - | - | - | 309,870 | - | 309,870 |
| - | - | - | - | - | 481,929 | 481,929 |
| - | - | - | 153 | 153 | - | 153 |
| - | - | 165,351 | - | 165,351 | - | 165,351 |
| 151,856 | - | 165,351 | 153 | 475,374 | 481,929 | 957,303 |
| $ 158,008 | $ 1,426 | $ 165,350 | $ 21,062 | $ 1,075,671 | $ 595,851 | $ 1,671,522 |

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| 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 | 441,267 | 835,245 | 605,110 | 13,135 |
| 5020 Total Revenues | 441,267 | 835,245 | 605,110 | 13,135 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 319,711 | 506,015 | 536,281 | 13,135 |
| 0012 Instructional Resources and Media Services | - | - | - | - |
| 0013 Curriculum and Instructional Staff Development | - | 329,230 | - | - |
| 0023 School Leadership | 77,602 | - | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | - | - | 68,829 | - |
| 0033 Health Services | 43,954 | - | - | - |
| 0035 Food Services | - | - | - | - |
| 0036 Extracurricular Activities | - | - | - | - |
| 0041 General Administration | - | - | - | - |
| 0052 Security and Monitoring Services | - | - | - | - |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | - | - | - | - |
| 0072 Interest on Long-Term Debt | - | - | - | - |
| 0073 Bond Issuance Cost and Fees | - | - | - | - |
| 6030 Total Expenditures | 441,267 | 835,245 | 605,110 | 13,135 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7915 Transfers In | - | - | - | - |
| 8911 Transfers Out (Use) | - | - | - | - |
| 7080 Total Other Financing Sources (Uses) | - | - | - | - |
| 1200 Net Change in Fund Balance | - | - | - | - |
| 0100 Fund Balance - September 1 (Beginning) | - | - | - | - |
| 3000 Fund Balance - August 31 (Ending) | $ - | $ - | $ - | $ - |

| 240 National Breakfast and Lunch Program | 242 Summer Feeding Program | 244 Career and Technical - Basic Grant | 255 ESEA II,A Training and Recruiting | 263 Title III, A English Lang. Acquisition | 266 ESSER -School Emergency Relief | 270 ESEA VI, Pt B Rural & Low Income | 276 Title I - SIP Academy Grant |
|---|---|---|---|---|---|---|---|
| $ 213,230 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 9,613 | - | - | - | - | - | - | - |
| 1,497,476 | 307,853 | 36,749 | 107,395 | 58,306 | 137,738 | 35,372 | - |
| 1,720,319 | 307,853 | 36,749 | 107,395 | 58,306 | 137,738 | 35,372 | - |
| | | | | | | | |
| - | - | 17,004 | - | 58,306 | 137,738 | 35,372 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | 107,395 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 19,745 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 1,980,484 | 284,565 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| | | | | | | | |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 1,980,484 | 284,565 | 36,749 | 107,395 | 58,306 | 137,738 | 35,372 | - |
| (260,165) | 23,288 | - | - | - | - | - | - |
| | | | | | | | |
| 23,288 | - | - | - | - | - | - | - |
| - | (23,288) | - | - | - | - | - | - |
| 23,288 | (23,288) | - | - | - | - | - | - |
| (236,877) | - | - | - | - | - | - | - |
| 394,880 | - | - | - | - | - | - | - |
| $ 158,003 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| Data Control Codes | 287 Title IV, Part A, Subpart 1 | 288 Summer School LEP | 289 E3 Grant | 397 Advanced Placement Incentives |
|---|---|---|---|---|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | $ - | $ - | $ - | $ - |
| 5800 State Program Revenues | - | - | - | 11 |
| 5900 Federal Program Revenues | 63,174 | 5,200 | 1,030,915 | - |
| 5020 Total Revenues | 63,174 | 5,200 | 1,030,915 | 11 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | - | 5,200 | 578,338 | - |
| 0012 Instructional Resources and Media Services | - | - | - | - |
| 0013 Curriculum and Instructional Staff Development | - | - | 452,577 | - |
| 0023 School Leadership | - | - | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | 63,174 | - | - | - |
| 0033 Health Services | - | - | - | - |
| 0035 Food Services | - | - | - | - |
| 0036 Extracurricular Activities | - | - | - | - |
| 0041 General Administration | - | - | - | - |
| 0052 Security and Monitoring Services | - | - | - | - |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | - | - | - | - |
| 0072 Interest on Long-Term Debt | - | - | - | - |
| 0073 Bond Issuance Cost and Fees | - | - | - | - |
| 6030 Total Expenditures | 63,174 | 5,200 | 1,030,915 | - |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | 11 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7915 Transfers In | - | - | - | - |
| 8911 Transfers Out (Use) | - | - | - | - |
| 7080 Total Other Financing Sources (Uses) | - | - | - | - |
| 1200 Net Change in Fund Balance | - | - | - | 11 |
| 0100 Fund Balance - September 1 (Beginning) | - | - | - | - |
| 3000 Fund Balance - August 31 (Ending) | $ - | $ - | $ - | $ 11 |

| 410 State Instructional Materials | 429 School Safety and Security | 461 Campus Activity Funds | 498 GISD Education Foundation | Total Nonmajor Special Revenue Funds | 599 Debt Service Fund | Total Nonmajor Governmental Funds |
|---|---|---|---|---|---|---|
| $ - | $ - | $ 166,888 | $ 21,062 | $ 401,180 | $ 1,026,787 | $ 1,427,967 |
| 67 | 51,698 | - | - | 61,389 | 26,639 | 88,028 |
| - | - | - | - | 5,174,935 | - | 5,174,935 |
| 67 | 51,698 | 166,888 | 21,062 | 5,637,504 | 1,053,426 | 6,690,930 |
| 270,412 | - | 27,222 | 21,062 | 2,525,796 | - | 2,525,796 |
| - | - | 16,127 | - | 16,127 | - | 16,127 |
| - | - | - | - | 889,202 | - | 889,202 |
| - | - | 13,484 | - | 91,086 | - | 91,086 |
| - | - | - | - | 151,748 | - | 151,748 |
| - | - | - | - | 43,954 | - | 43,954 |
| - | - | - | - | 2,265,049 | - | 2,265,049 |
| - | - | 33,837 | - | 33,837 | - | 33,837 |
| - | - | 15,294 | - | 15,294 | - | 15,294 |
| - | 51,698 | - | - | 51,698 | - | 51,698 |
| - | - | - | - | - | 1,350,000 | 1,350,000 |
| - | - | - | - | - | 930,062 | 930,062 |
| - | - | - | - | - | 2,000 | 2,000 |
| 270,412 | 51,698 | 105,964 | 21,062 | 6,083,791 | 2,282,062 | 8,365,853 |
| (270,345) | - | 60,924 | - | (446,287) | (1,228,636) | (1,674,923) |
| - | - | - | - | 23,288 | 1,077,000 | 1,100,288 |
| - | - | - | - | (23,288) | - | (23,288) |
| - | - | - | - | - | 1,077,000 | 1,077,000 |
| (270,345) | - | 60,924 | - | (446,287) | (151,636) | (597,923) |
| 422,201 | - | 104,427 | 153 | 921,661 | 633,565 | 1,555,226 |
| $ 151,856 | $ - | $ 165,351 | $ 153 | $ 475,374 | $ 481,929 | $ 957,303 |

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# REQUIRED TEA SCHEDULES

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2020

| Last 10 Years Ended August 31 | | (1) Tax Rates | (2) | (3) Assessed/Appraised Value for School Tax Purposes |
|---|---|---|---|---|
| | | Maintenance | Debt Service | |
| 2011 | and prior years | Various | Various | $ 12,014,424,830 |
| 2012 | | 1.040000 | 0.294324 | 877,347,353 |
| 2013 | | 1.040000 | 0.268780 | 935,160,563 |
| 2014 | | 1.040000 | 0.250000 | 987,309,121 |
| 2015 | | 1.040000 | 0.240000 | 1,004,544,625 |
| 2016 | | 1.040000 | 0.240000 | 985,624,273 |
| 2017 | | 1.170000 | 0.110000 | 991,599,501 |
| 2018 | | 1.170000 | 0.110000 | 1,022,240,526 |
| 2019 | | 1.170000 | 0.100000 | 1,135,855,814 |
| 2020 | (School year under audit) | 1.068400 | 0.080000 | 1,267,191,850 |
| 1000 | TOTALS | | | |

| (10) Beginning Balance 9/1/2019 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2020 |
|---|---|---|---|---|---|
| $ 53,186 | $ - | $ 412 | $ 87 | $ (8,711) | $ 43,976 |
| 31,190 | - | 449 | 127 | - | 30,614 |
| 17,902 | - | 797 | 205 | - | 16,900 |
| 18,354 | - | 1,780 | 428 | - | 16,146 |
| 20,365 | - | 3,659 | 844 | 1,568 | 17,430 |
| 25,381 | - | 5,880 | 1,357 | 3,014 | 21,158 |
| 32,303 | - | 9,982 | 938 | 2,587 | 23,970 |
| 78,341 | - | 37,141 | 3,492 | (2,388) | 35,320 |
| 211,463 | - | 102,896 | 8,795 | (28,687) | 71,085 |
| - | 14,552,431 | 13,293,975 | 996,840 | (56,913) | 204,703 |
| $ 488,485 | $ 14,552,431 | $ 13,456,971 | $ 1,013,113 | $ (89,530) | $ 481,302 |

EXHIBIT J-2

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, 2020

| 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 | $ 298,000 | $ 298,000 | $ 213,230 | $ (84,770) |
| 5800 | State Program Revenues | 23,643 | 23,643 | 9,613 | (14,030) |
| 5900 | Federal Program Revenues | 2,072,658 | 2,072,658 | 1,497,476 | (575,182) |
| 5020 | Total Revenues | 2,394,301 | 2,394,301 | 1,720,319 | (673,982) |
| | EXPENDITURES: | | | | |
| | Current: | | | | |
| 0035 | Food Services | 2,394,301 | 2,630,531 | 1,980,484 | 650,047 |
| 6030 | Total Expenditures | 2,394,301 | 2,630,531 | 1,980,484 | 650,047 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (236,230) | (260,165) | (23,935) |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 7915 | Transfers In | - | - | 23,288 | 23,288 |
| 1200 | Net Change in Fund Balances | - | (236,230) | (236,877) | (647) |
| 0100 | Fund Balance - September 1 (Beginning) | 394,880 | 394,880 | 394,880 | - |
| 3000 | Fund Balance - August 31 (Ending) | $ 394,880 | $ 158,650 | $ 158,003 | $ (647) |

EXHIBIT J-3

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, 2020

| Data Control Codes | | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ 1,002,532 | $ 1,002,632 | $ 1,026,787 | $ 24,155 |
| 5800 | State Program Revenues | - | - | 26,639 | 26,639 |
| 5020 | Total Revenues | 1,002,532 | 1,002,632 | 1,053,426 | 50,794 |
| | EXPENDITURES: | | | | |
| | Debt Service: | | | | |
| 0071 | Principal on Long-Term Debt | 1,350,000 | 1,350,000 | 1,350,000 | - |
| 0072 | Interest on Long-Term Debt | 929,971 | 930,071 | 930,062 | 9 |
| 0073 | Bond Issuance Cost and Fees | 2,000 | 2,000 | 2,000 | - |
| 6030 | Total Expenditures | 2,281,971 | 2,282,071 | 2,282,062 | 9 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,279,439) | (1,279,439) | (1,228,636) | 50,803 |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 7915 | Transfers In | 1,159,439 | 1,159,439 | 1,077,000 | (82,439) |
| 1200 | Net Change in Fund Balances | (120,000) | (120,000) | (151,636) | (31,636) |
| 0100 | Fund Balance - September 1 (Beginning) | 633,565 | 633,565 | 633,565 | - |
| 3000 | Fund Balance - August 31 (Ending) | $ 513,565 | $ 513,565 | $ 481,929 | $ (31,636) |

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# FEDERAL AWARDS SECTION

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SCHALK & SMITH PC
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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

## 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, 2020 and the related notes to the financial statements, which collectively comprise Gainesville Independent School District's basic financial statements, and have issued our report thereon dated January 15, 2021.

### 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*.



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**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 PC

Schalk & Smith, P.C.
Gainesville, TX
January 15, 2021

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
Gainesville, TX

## Report on Compliance for Each Major Federal Program

We have audited Gainesville Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement that* could have a direct and material effect on each of Gainesville Independent School District's major federal programs for the year ended August 31, 2020. 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, 2020.

## 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



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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, 2020, and have issued our report thereon dated January 15., 20219, 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 PC

Schalk & Smith, P.C.
Gainesville, TX
January 15, 2015

GAINESVILLE INDEPENDENT SCHOOL DISTIRCT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

**Section I Summary of the Auditor's Results**

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

**Section II Financial Statement Findings-** NONE

**Section III Federal Award Findings & Questioned Costs** NONE

**Section IV Other Findings Which are Required to be Reported in Accordance with *Government Auditing Standards*** NONE

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

N/A

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

(Prepared by the District's Administration)

N/A

EXHIBIT K-1

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

| (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** | | | |
| Passed Through Insight Education Group | | | |
| E3 Grant | 84.374 | U374A170085-19 | $ 597,355 |
| E3 Grant | 84.374 | U374A170085-19 | 433,560 |
| Total CFDA Number 84.374 | | | 1,030,915 |
| Total Passed Through Insight Education Group | | | 1,030,915 |
| Passed Through State Department of Education | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 20610101049901 | 835,245 |
| *IDEA - Part B, Formula | 84.027 | 206600010499016600 | 605,110 |
| *IDEA - Part B, Preschool | 84.173 | 206610010499016610 | 13,135 |
| Total Special Education Cluster (IDEA) | | | 618,245 |
| Career and Technical - Basic Grant | 84.048 | 20420006049901 | 36,749 |
| ESEA, Title VI, Part B - Rural & Low Income Prog. | 84.358B | 20696001049901 | 35,372 |
| Title III, Part A - English Language Acquisition | 84.365A | 20671001049901 | 58,306 |
| ESEA, Title II, Part A, Teacher Principal Training | 84.367A | 20694501049901 | 107,395 |
| Title IV, Part A, Subpart I | 84.410 | 20680101049901 | 63,174 |
| Elementary & Secondary School Emergency Relief Fd | 84.425D | 20521001049901 | 137,738 |
| LEP Summer School | 84.369A | S369A180045 | 5,200 |
| Total Passed Through State Department of Education | | | 1,897,424 |
| **TOTAL U.S. DEPARTMENT OF EDUCATION** | | | 2,928,339 |
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | |
| Passed Through Region 9 | | | |
| Head Start | 93.600 | 06CH7096-6 | 26,389 |
| Head Start | 93.600 | 06CH011086-1 | 39,733 |
| Head Start | 93.600 | 06CH011086-2 | 375,145 |
| Total CFDA Number 93.600 | | | 441,267 |
| Total Passed Through Region 9 | | | 441,267 |
| **TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | 441,267 |
| **U.S. DEPARTMENT OF AGRICULTURE** | | | |
| Passed Through the State Department of Agriculture | | | |
| *School Breakfast Program | 10.553 | 206TX332N1099 | 407,930 |
| *National School Lunch Program - Cash Assistance | 10.555 | 206TX332N1099 | 978,943 |
| *National School Lunch Prog. - Non-Cash Assistance | 10.555 | 206TX332N1099 | 110,603 |
| Total CFDA Number 10.555 | | | 1,089,546 |
| *Summer Feeding Program - Cash Assistance | 10.559 | 206TX332N1099 | 307,853 |
| Total Child Nutrition Cluster | | | 1,805,329 |
| Total Passed Through the State Department of Agriculture | | | 1,805,329 |
| **TOTAL U.S. DEPARTMENT OF AGRICULTURE** | | | 1,805,329 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | $ 5,174,935 |

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

GAINESVILLE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020

- 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, 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 District has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

- 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 | $ | 5,174,935 |
| Medicaid Reimbursements (SHARS) | | 513,940 |
| Total Federal Program Revenues-Exhibit C-3 | $ | 5,688,875 |

SCHOOLS FIRST QUESTIONNAIRE

Gainesville Independent School District

Fiscal Year 2020

| | | |
|---|---|---|
| SF1 | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole? | Yes |
| 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? | No |
| SF3 | 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? (If there was a warrant hold not cleared in 30 days, then not timely.) | Yes |
| SF4 | Was the school district issued a warrant hold? (Yes even if cleared within 30 days.) | No |
| 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 post the required financial information on its website in accordance with Government Code, Local Govenment Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end? | Yes |
| SF8 | Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget? | Yes |
| SF9 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end. | 114959 |