

ANNUAL FINANCIAL REPORT

of the

**GALVESTON
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended
August 31, 2015

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
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INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

Galveston Independent School District
Name of School District

Galveston
County

084-902
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, 2015, at a meeting of the Board of Trustees of such school district on the _____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

(attach list as necessary)

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Galveston Independent School District:

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 the Galveston Independent School District (the "District"), as of and for the year ended August 31, 2015, 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.

Auditors' 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 auditors' 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.

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

P.O. Box 826
Bellville, TX 77418
713.263.1123

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



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 District as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

In 2015, the District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information 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, the combining and individual nonmajor fund financial

statements, the schedule of expenditures of federal awards, and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016 on our consideration of the 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 the District's internal control over financial reporting and compliance.

 BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 19, 2016

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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GALVESTON

INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2015

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Galveston Independent School District (the "District") for the year ending August 31, 2015. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2015 was \$64,359,113.
- For the fiscal year ended August 31, 2015, the District's general fund reported a total fund balance of \$29,279,598, of which \$1,303,040 is nonspendable, \$20,000,000 is committed for construction-related purposes, and \$7,976,558 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$38,750,870.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general education* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements provide information about the financial relationships in which the District acts in a manner similar to that of a private business. These statements include the District's internal service funds.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the fiduciary resources belong. These statements include trust funds and a student activity fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2015

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other non-financial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

Governmental Activities – Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2015

The District has the following kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* – The District maintains internal service funds as proprietary funds. Internal service funds account for services provided to other departments of the District on a cost reimbursement basis. The District uses these funds to account for the concession fund, the group health insurance fund, the workers' compensation insurance fund, the care here fund, and the flex spending fund. The District accumulates resources in the insurance funds from all District funds whose expenditures include payments to employees. Normal expenses in the insurance funds are expenses related to claims and administrative expenses. The concession fund is financed through user fees paid by patrons of the District with any shortfall paid from District funds.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds and various trust funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities that are reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$64,359,113 at August 31, 2015. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2015. *Table 1* indicates the District's net position decreased \$2,232,869 in total from the prior year. The details of this decrease can be seen in *Table 2*. The District experienced a decrease in total revenue of \$2,429,344 due to decrease in grant revenues and the forgiveness of a federal loan in the prior year. Expenses increased by \$4,173,071 in comparison to 2014. The largest increases occurred in the instruction and food services functions, as well as the contracted instructional services between public schools. Instruction expenses increased due to an increase in personnel costs. Food services increased due to planned expenditures related to redesign and upkeep of food service buildings. Contracted instructional services between schools increased due to the District's final settle-up of Chapter 41 recapture payments.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2015

Table 1
Net Position

Description	Governmental Activities		Total Change
	2015	2014	2015-2014
Current assets	\$ 46,464,876	\$ 54,090,170	\$ (7,625,294)
Capital assets	89,497,431	95,079,414	(5,581,983)
Total Assets	135,962,307	149,169,584	(13,207,277)
Deferred charge on refunding	2,515,470	2,795,885	(280,415)
Deferred outflows - pension	2,241,290	801,464	1,439,826
Total Deferred Outflows of Resources	4,756,760	3,597,349	1,159,411
Current liabilities	3,993,288	10,198,138	(6,204,850)
Long-term liabilities	69,783,580	75,976,813	(6,193,233)
Total Liabilities	73,776,868	86,174,951	(12,398,083)
Deferred inflows - pension	2,583,086	-	2,583,086
Total Deferred Inflows of Resources	2,583,086	-	2,583,086
Net Position:			
Net investment			
in capital assets	31,490,996	33,026,706	(1,535,710)
Restricted	7,550,761	11,157,429	(3,606,668)
Unrestricted	25,317,356	22,407,847	2,909,509
Total Net Position	\$ 64,359,113	\$ 66,591,982	\$ (2,232,869)

GALVESTON
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2015

Table 2
Changes in Net Position

	Governmental Activities		Total Change 2015-2014
	2015	2014	
Revenues			
Program revenues:			
Charges for services	\$ 2,107,213	\$ 2,294,034	\$ (186,821)
Operating grants and contributions	18,444,092	19,800,706	(1,356,614)
General revenues:			
Property taxes	64,922,578	62,413,130	2,509,448
Grants and contributions not restricted for specific programs	8,465,261	8,281,136	184,125
Investment earnings	107,720	245,818	(138,098)
Other revenue	2,407,973	849,357	1,558,616
Special item	-	5,000,000	(5,000,000)
Total Revenue	96,454,837	98,884,181	(2,429,344)
Expenses			
Instruction	40,663,090	38,734,547	1,928,543
Instructional resources and media services	633,350	554,247	79,103
Curriculum/instructional staff development	2,247,066	2,119,695	127,371
Instructional leadership	2,901,661	2,545,397	356,264
School leadership	3,486,912	2,922,083	564,829
Guidance, counseling, evaluation services	2,277,950	2,045,318	232,632
Social work services	153,976	170,417	(16,441)
Health services	748,312	708,771	39,541
Student (pupil) transportation	2,761,980	2,750,412	11,568
Food services	5,654,614	4,869,801	784,813
Extracurricular activities	2,095,435	2,040,581	54,854
General administration	2,404,515	2,208,318	196,197
Plant maintenance and operations	7,871,168	7,747,160	124,008
Security and monitoring services	794,343	931,726	(137,383)
Data processing services	1,806,537	1,692,461	114,076
Community services	497,332	446,347	50,985
Debt service - interest	1,926,352	2,045,898	(119,546)
Facilities acquisition and construction	5,454,533	6,405,126	(950,593)
Contracted instructional services between public schools	12,308,716	11,629,676	679,040
Payments to shared service agreements	1,479,899	1,494,830	(14,931)
Other intergovernmental charges	519,965	451,824	68,141
Total Expenses	98,687,706	94,514,635	4,173,071
Change in Net Position	(2,232,869)	4,369,546	(6,602,415)
Beginning net position	66,591,982	62,222,436	4,369,546
Ending Net Position	\$ 64,359,113	\$ 66,591,982	\$ (2,232,869)

GALVESTON
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2015, the District's governmental funds reported a combined fund balance of \$38,750,870. This compares to a combined fund balance of \$40,399,489 at August 31, 2014. The fund balance in the general fund increased by \$418,564, prior to net transfers of \$238,258. The increase can be attributed largely to an increase property tax revenue. The District budgeted for a deficiency of revenues under expenditures, net of transfers, of \$250,001, and reported a positive budget variance of \$430,307.

The Hurricane Ike disaster reimbursement fund reported no change in fund balance.

The debt service fund had a decrease in fund balance by \$570,173 due to debt service payments in excess of property tax collections

The capital projects fund had an increase in fund balance of \$1,626,067 primarily due to transfers in from other funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2015, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues were less than budgeted revenues by \$204,272 as a result of less federal funding than anticipated. Total general fund budgeted expenditures exceeded actual expenditures by \$622,837 with the largest positive variances in contracted instructional services.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board of Trustees. During the fiscal year ended August 31, 2015, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2015, the District had a total of \$178,054,146 invested in capital assets such as land, buildings, and District equipment. This total includes \$822,125 invested during the fiscal year ended August 31, 2015.

More detailed information about the District's capital assets can be found in note III.B. to the financial statements.

LONG-TERM DEBT

At year end, the District had \$55,309,998 in general obligation bonds outstanding versus \$59,104,998 last year. The District paid \$3,795,000 in principal payments during the year.

More detailed information about the District's long-term liabilities is presented in note III.C. to the financial statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's budgeted expenditures for the 2015-2016 school year total \$73,079,403, and the District's Board of Trustees adopted a Maintenance and Operations tax rate of \$1.060 and an Interest and Sinking rate of \$0.095 for a combined rate of \$1.155.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 Larry Nichols, Superintendent, at P.O. Box 660, Galveston, Texas 77553 or by calling (409) 766-5100.

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BASIC FINANCIAL STATEMENTS

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION - EXHIBIT A-1
August 31, 2015

Data Control Codes		1
		Governmental Activities
<u>Assets</u>		
1110	Cash and cash equivalents	\$ 19,680,704
1225	Property taxes receivables (net)	3,052,170
1240	Due from other governments	22,181,045
1290	Other receivables (net)	124,313
1300	Inventories	179,130
1410	Prepaid items	1,247,514
		<u>46,464,876</u>
	Capital assets:	
1510	Land	4,366,348
1520	Buildings and improvements, net	80,722,274
1530	Furniture and equipment, net	2,326,298
1530	Vehicles, net	2,082,511
		<u>89,497,431</u>
1000	Total Assets	<u>135,962,307</u>
<u>Deferred Outflows of Resources</u>		
1700	Deferred charge on refunding	2,515,470
1705	Deferred outflows - pensions	2,241,290
	Total Deferred Outflows of Resources	<u>4,756,760</u>
<u>Liabilities</u>		
2110	Accounts payable	540,286
2140	Interest payable	162,540
2150	Payroll deductions payable	931,245
2165	Accrued liabilities	1,612,226
2180	Due to other governments	729,276
2300	Unearned revenue	17,715
		<u>3,993,288</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	3,953,847
2502	Long-term liabilities due in more than one year	65,829,733
		<u>69,783,580</u>
2000	Total Liabilities	<u>73,776,868</u>
<u>Deferred Inflows of Resources</u>		
2605	Deferred inflows - pensions	2,583,086
<u>Net Position</u>		
3200	Net investment in capital assets	31,490,996
	Restricted for:	
3820	Federal and state programs	3,028,881
3850	Debt service	4,283,187
3870	Campus activities	143,623
3890	Other purposes	95,070
3900	Unrestricted	25,317,356
3000	Total Net Position	<u>\$ 64,359,113</u>

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - EXHIBIT B-1
For the Year Ended August 31, 2015

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
	Primary Government				
	Governmental Activities				
11	Instruction	\$ 40,663,090	\$ 471,084	\$ 9,660,056	\$ (30,531,950)
12	Instructional resources				
12	and media services	633,350	-	15,247	(618,103)
13	Curriculum/instructional				
13	staff development	2,247,066	-	1,647,746	(599,320)
21	Instructional leadership	2,901,661	-	1,282,632	(1,619,029)
23	School leadership	3,486,912	-	68,721	(3,418,191)
31	Guidance, counseling,				
31	evaluation services	2,277,950	-	734,013	(1,543,937)
32	Social work services	153,976	-	65,357	(88,619)
33	Health services	748,312	-	246,487	(501,825)
34	Student (pupil) transportation	2,761,980	-	-	(2,761,980)
35	Food services	5,654,614	1,636,129	3,793,679	(224,806)
36	Extracurricular activities	2,095,435	-	-	(2,095,435)
41	General administration	2,404,515	-	12,364	(2,392,151)
51	Plant maintenance and operations	7,871,168	-	579,823	(7,291,345)
52	Security and monitoring services	794,343	-	-	(794,343)
53	Data processing services	1,806,537	-	-	(1,806,537)
61	Community services	497,332	-	322,467	(174,865)
72	Debt service - interest	1,926,352	-	-	(1,926,352)
81	Facilities acquisition and construction	5,454,533	-	15,500	(5,439,033)
91	Contracted instructional services				
91	between public schools	12,308,716	-	-	(12,308,716)
93	Payments to shared service agreements	1,479,899	-	-	(1,479,899)
99	Other intergovernmental charges	519,965	-	-	(519,965)
	Total Governmental Activities	<u>\$ 98,687,706</u>	<u>\$ 2,107,213</u>	<u>\$ 18,444,092</u>	<u>(78,136,401)</u>
TP	Total Primary Government	<u>\$ 98,687,706</u>	<u>\$ 2,107,213</u>	<u>\$ 18,444,092</u>	<u>(78,136,401)</u>
	General Revenues				
MT	Property taxes, levied for general purposes				59,560,749
DT	Property taxes, levied for debt service				5,361,829
SF	State aid - formula grants				6,972,520
GC	Grants not restricted				1,492,741
IE	Investment earnings				107,720
MI	Miscellaneous local and intermediate revenue				2,407,973
TR				Total General Revenues	<u>75,903,532</u>
CN				Change in Net Position	<u>(2,232,869)</u>
NB	Beginning net position				<u>66,591,982</u>
NE				Ending Net Position	<u>\$ 64,359,113</u>

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS - EXHIBIT C-1
August 31, 2015

Data Control Codes		10	20	50	60
		General	Hurricane Ike Disaster Reimbursement	Debt Service	Capital Projects
<u>Assets</u>					
1110	Cash and cash equivalents	\$ 8,805,345	\$ -	\$ 4,283,187	\$ 1,882,136
1220	Taxes receivables	3,410,017	-	376,898	-
1230	Allowance for uncollectible taxes	(653,758)	-	(80,987)	-
1240	Due from other governments	2,204,732	17,655,811	-	-
1260	Due from other funds	20,274,346	-	-	4,045,019
1290	Other receivables	41,055	-	-	-
1300	Inventories	55,526	-	-	-
1410	Prepaid items	1,247,514	-	-	-
1000	Total Assets	<u>\$ 35,384,777</u>	<u>\$ 17,655,811</u>	<u>\$ 4,579,098</u>	<u>\$ 5,927,155</u>
<u>Liabilities</u>					
2110	Accounts payable	\$ 277,675	\$ -	\$ -	\$ 85,229
2150	Payroll deductions payable	875,183	-	-	-
2160	Accrued wages payable	1,433,382	-	-	-
2170	Due to other funds	34,324	17,655,811	-	4,045,019
2180	Due to other governments	728,356	-	-	-
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	<u>3,348,920</u>	<u>17,655,811</u>	<u>-</u>	<u>4,130,248</u>
<u>Deferred Inflows of Resources</u>					
2600	Unavailable revenue - property taxes	<u>2,756,259</u>	<u>-</u>	<u>295,911</u>	<u>-</u>
<u>Fund Balances</u>					
Nonspendable:					
3410	Inventories	55,526	-	-	-
3430	Prepaid items	1,247,514	-	-	-
Restricted:					
3450	Federal/state funds grant restrictions	-	-	-	-
3470	Capital acquisitions and contracts	-	-	-	1,796,907
3480	Debt service	-	-	4,283,187	-
3490	Other restrictions	-	-	-	-
Committed:					
3510	Disaster remediation/capital outlay	20,000,000	-	-	-
3600	Unassigned	7,976,558	-	-	-
3000	Total Fund Balances	<u>29,279,598</u>	<u>-</u>	<u>4,283,187</u>	<u>1,796,907</u>
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 35,384,777</u>	<u>\$ 17,655,811</u>	<u>\$ 4,579,098</u>	<u>\$ 5,927,155</u>

See Notes to Financial Statements.

Other Governmental Funds	98 Total Governmental Funds
\$ 3,636,895	\$ 18,607,563
-	3,786,915
-	(734,745)
2,320,502	22,181,045
84,329	24,403,694
83,258	124,313
123,604	179,130
-	1,247,514
<u>\$ 6,248,588</u>	<u>\$ 69,795,429</u>
\$ 91,183	\$ 454,087
56,062	931,245
178,844	1,612,226
2,512,686	24,247,840
920	729,276
17,715	17,715
<u>2,857,410</u>	<u>27,992,389</u>
-	<u>3,052,170</u>
123,604	179,130
-	1,247,514
3,028,881	3,028,881
-	1,796,907
-	4,283,187
238,693	238,693
-	20,000,000
-	7,976,558
<u>3,391,178</u>	<u>38,750,870</u>
<u>\$ 6,248,588</u>	<u>\$ 69,795,429</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R
August 31, 2015

Total fund balances for governmental funds \$ 38,750,870

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	4,366,348	
Capital assets - depreciable	85,131,083	
	85,131,083	89,497,431

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,052,170
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The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position		831,088
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Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest	(162,540)	
Deferred charge on refunding	2,515,470	
Deferred outflows - pensions	2,241,290	
Deferred inflows - pensions	(2,583,086)	
Non-current liabilities due in one year	(3,953,847)	
Non-current liabilities due in more than one year	(65,829,733)	
	(67,772,446)	(67,772,446)

Net Position of Governmental Activities		\$ 64,359,113
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See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - EXHIBIT C-2
For the Year Ended August 31, 2015

Data Control Codes		10	20	50	60
		General	Hurricane Ike Disaster Reimbursement	Debt Service	Capital Projects
	Revenues				
5700	Local, intermediate, and out-of-state	\$ 59,965,979	\$ -	\$ 5,376,458	\$ 28,426
5800	State program revenues	6,972,520	-	-	-
5900	Federal program revenues	1,492,741	5,533	-	-
5020	Total Revenues	<u>68,431,240</u>	<u>5,533</u>	<u>5,376,458</u>	<u>28,426</u>
	Expenditures				
0011	Instruction	28,929,165	5,533	-	-
0012	Instruction resources	565,241	-	-	-
0013	Curriculum and instructional	551,892	-	-	-
0021	Instructional leadership	1,549,452	-	-	-
0023	School leadership	3,372,794	-	-	-
0031	Guidance, counseling, evaluation	1,496,524	-	-	-
0032	Social work services	85,068	-	-	-
0033	Health services	489,417	-	-	-
0034	Student (pupil) transportation	2,625,586	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	1,955,876	-	-	-
0041	General administration	2,278,023	-	-	-
0051	Plant maintenance and operations	7,134,189	-	-	-
0052	Security and monitoring services	697,156	-	-	-
0053	Data processing services	1,692,932	-	-	-
0061	Community services	162,928	-	-	-
	Debt service:				
0071	Principal	-	-	3,795,000	-
0072	Interest	-	-	2,149,800	-
0073	Bond issuance costs and fees	-	-	1,831	-
	Capital outlay:				
0081	Facilities acquisition and construction	117,853	-	-	272,753
	Intergovernmental:				
0091	Contracted instructional services				
0091	between public schools	12,308,716	-	-	-
0093	Payments to shared service arrangements	1,479,899	-	-	-
0099	Other governmental charges	519,965	-	-	-
6030	Total Expenditures	<u>68,012,676</u>	<u>5,533</u>	<u>5,946,631</u>	<u>272,753</u>
1100	Excess (Deficiency) of Revenues				
1100	Over (Under) Expenditures	<u>418,564</u>	<u>-</u>	<u>(570,173)</u>	<u>(244,327)</u>
	Other Financing Sources (Uses)				
7915	Transfers in	11,742	-	-	1,882,136
8911	Transfers (out)	(250,000)	-	-	(11,742)
7080	Total Other Financing Sources (Uses)	<u>(238,258)</u>	<u>-</u>	<u>-</u>	<u>1,870,394</u>
1200	Net Change in Fund Balances	180,306	-	(570,173)	1,626,067
0100	Beginning fund balances	29,099,292	-	4,853,360	170,840
3000	Ending Fund Balances	<u>\$ 29,279,598</u>	<u>\$ -</u>	<u>\$ 4,283,187</u>	<u>\$ 1,796,907</u>

See Notes to Financial Statements.

		98	
Other		Total	
Governmental		Governmental	
Funds		Funds	
\$	2,294,675	\$	67,665,538
	414,946		7,387,466
	18,023,613		19,521,887
	<u>20,733,234</u>		<u>94,574,891</u>
	10,267,865		39,202,563
	62,856		628,097
	1,642,696		2,194,588
	1,285,032		2,834,484
	68,721		3,441,515
	738,506		2,235,030
	65,357		150,425
	246,487		735,904
	-		2,625,586
	6,115,974		6,115,974
	143,540		2,099,416
	108,937		2,386,960
	587,307		7,721,496
	-		697,156
	-		1,692,932
	322,467		485,395
	-		3,795,000
	-		2,149,800
	-		1,831
	80,172		470,778
	-		12,308,716
	-		1,479,899
	-		519,965
	<u>21,735,917</u>		<u>95,973,510</u>
	<u>(1,002,683)</u>		<u>(1,398,619)</u>
	6,354		1,900,232
	<u>(1,888,490)</u>		<u>(2,150,232)</u>
	<u>(1,882,136)</u>		<u>(250,000)</u>
	(2,884,819)		(1,648,619)
	6,275,997		40,399,489
\$	<u><u>3,391,178</u></u>	\$	<u><u>38,750,870</u></u>

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - EXHIBIT C-3
For the Year Ended August 31, 2015

Net change in fund balances - total governmental funds	\$ (1,648,619)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation	(6,404,108)
Capital outlay	822,125

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	147,958
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal repayments	3,795,000
Accrued interest	8,028
Amortization of loss on bond refunding	(280,415)
Amortization of premiums	531,688
Accreted interest	(34,022)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(24,002)
Change in net pension liability	1,924,569
Amortization of deferred inflows - pensions	1,439,826
Amortization of deferred outflows - pensions	(2,583,086)

Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

	72,189
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Change in Net Position of Governmental Activities	\$ (2,232,869)
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See Notes to Financial Statements.

GALVESTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUNDS - EXHIBIT D-1

August 31, 2015

<u>Data Control Codes</u>		<u>Internal Service</u>
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 1,073,141
1260	Due from other funds	2,100
1000		<u>1,075,241</u>
	Total Assets	
	<u>Liabilities</u>	
	Current liabilities:	
2110	Accounts payable	86,199
2170	Due to other funds	157,954
2000		<u>244,153</u>
	Total Liabilities	
	<u>Net Position</u>	
3900	Unrestricted net position	831,088
4000		<u>\$ 831,088</u>
	Total Net Position	

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS - EXHIBIT D-2
For the Year Ended August 31, 2015

<u>Data Control Dates</u>			<u>Internal Service</u>
	<u>Operating Revenues</u>		
5700	Local and intermediate sources		\$ 422,454
5800	State program revenues		374
5020		Total Operating Revenues	<u>422,828</u>
	<u>Operating Expenses</u>		
6100	Payroll costs		5,416
6200	Professional and contracted services		577,765
6300	Supplies and materials		17,458
6030		Total Operating Expenses	<u>600,639</u>
		Operating (Loss)	<u>(177,811)</u>
	<u>Non-Operating Revenues (Expenses)</u>		
7915	Transfers in		250,000
		Total Non-Operating Revenues	<u>250,000</u>
1200		Change in Net Position	72,189
0100	Beginning net position		<u>758,899</u>
3000		Ending Net Position	<u><u>\$ 831,088</u></u>

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - EXHIBIT D-3
For the Year Ended August 31, 2015

	<u>Internal Service</u>
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 494,244
Cash payments to employees	(5,416)
Cash payments to suppliers for goods and services	(446,728)
Net Cash Provided by Operating Activities	<u>42,100</u>
<u>Cash Flows from Non-Operating Activities</u>	
Transfer in	250,000
Net Cash Provided by Non-Operating Activities	<u>250,000</u>
Net Increase in Cash and Cash Equivalents	292,100
Beginning cash and cash equivalents	<u>781,041</u>
Ending Cash and Cash Equivalents	<u><u>\$ 1,073,141</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating (loss)	\$ (177,811)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase (Decrease) in:	
(Increase) decrease in due from other funds	(2,087)
Increase (decrease) in due to other funds	157,714
Increase (decrease) in accounts payable	64,284
Net Cash Provided by Operating Activities	<u><u>\$ 42,100</u></u>

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT E-1
August 31, 2015

	<u>Trust</u>	<u>Student Activity Account</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 221,542	\$ 212,041
Restricted assets	1,890,920	-
Total Assets	<u><u>\$ 2,112,462</u></u>	<u><u>\$ 212,041</u></u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	\$ -	\$ 12,219
Due to student groups	-	199,822
Total Liabilities	<u><u>-</u></u>	<u><u>\$ 212,041</u></u>
<u>Net Position</u>		
Held in trust	2,112,462	
Total Liabilities and Net Position	<u><u>\$ 2,112,462</u></u>	

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT E-2
For the Year Ended August 31, 2015

	<u>Trust</u>	<u>Student Activity Account</u>
<u>Additions</u>		
Donations	\$ 500	\$ -
Investment income	13,529	-
Other	-	306,748
Total Additions	<u>14,029</u>	<u>306,748</u>
<u>Deductions</u>		
Operating	318,232	306,748
Total Deductions	<u>318,232</u>	<u>306,748</u>
Changes in Net Position	(304,203)	-
Beginning net position	<u>2,416,665</u>	<u>-</u>
Ending Net Position	<u><u>\$ 2,112,462</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

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GALVESTON

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the Year Ended August 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Galveston Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB); and it complies with the requirements of the appropriate version of the Texas Education Agency’s (TEA) *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State of Texas governed by a board elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations and is considered a primary government. As required by GAAP, basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District’s financial reporting entity. No other entities have been included in the District’s reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District’s financial reporting entity are based on criteria prescribed by GAAP. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that the District’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under GAAP include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2015

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The general fund is always considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. While the debt service fund does not meet the requirements to be considered a major fund, it is reported as such due to its significance.

Capital Projects Funds

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund. The Hurricane Ike disaster reimbursement fund is considered a major fund for reporting purposes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's business-type activities are accounted for through proprietary funds. The measurement

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2015

focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by GASB and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the District accounts for its proprietary funds as presented by GASB.

The proprietary fund types used by the District include the following:

Internal Service Funds

These funds are used to account for revenue and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds account for the District's concession services, group health insurance benefits, workers' compensation risk management, care here services, and flex spending benefits. Because the principal users of the internal service funds are the District's governmental activities, this fund type is included in the governmental activities column of the governmental-wide financial statements.

Fiduciary Funds

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs. The District has the following type of fiduciary funds:

Agency Funds

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's student activity funds.

Trust Funds

The trust funds are custodial in nature and do not present results of operations or have a measurement focus. Trust funds are accounted for using the accrual basis of accounting. These funds are used to account for the District's private purpose funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the

GALVESTON
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government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, grant revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the District.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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2. Investments

In accordance with GASB Statement No. 31, *“Accounting and Reporting for Certain Investments and External Investment Pools,”* the District reports all investments at fair value, except for “money market investments” and “2a7-like pools.” Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, such as Texas CLASS, are reported using the pools’ share price.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools and commercial paper

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

5. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings and improvements	5 to 50 years
Furniture and equipment	5 to 20 years
Vehicles	5 to 20 years

6. Deferred Outflows/Inflows 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has four items that qualify for reporting in this category on the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Compensated Employee Absences

It is the District's policy to permit certain employees to accumulate earned but unused vacation benefits. These employees must be employed to work 260 days per year. Amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment.

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8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. The long-term debt consists primarily of bonds and notes payable.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

9. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

10. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts

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that are externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions are classified as restricted fund balance.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

13. Data Control Codes

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

14. 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.

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G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to other departments of the District for services provided. Operating expenses for the internal service funds include the cost of sales and services, payments to employees, and claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year.

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.

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For the Year Ended August 31, 2015

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of August 31, 2015, the District had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>	<u>Weighted Average Maturity (Years)</u>
Frost Banking Investment - Money Market	N/A	\$ 32,244	0.00
Frost Banking Investment - Mutual Funds	N/A	835,875	0.00
MBIA - Texas CLASS Investment Pool General Fund	N/A	1,844,563	0.00
MBIA - Texas CLASS Investment Pool Debt Service Fund	N/A	1,283,206	0.00
		<u>\$ 3,995,888</u>	
Portfolio weighted average maturity			0.000

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires funds on deposit at the depository bank to be collateralized. As of August 31, 2015, checking accounts were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A portion of the District's investments are held in external investment pools which are not subject to custodial credit risk. At year end, the District had \$3,127,769 invested in the Cooperative Liquid Assets Securities System-Texas (CLASS) Investment Pool.

CLASS is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended (the "Act"). CLASS is created under an Amended and Restated Trust Agreement, dated as of May 1, 2001 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), MBIA Municipal Investors Service Corporation ("MBIA-MISC") as Program Administrator, and Wells Fargo as Custodian. CLASS is not SEC registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with MBIA-MISC to provide for the investment and management of the public funds of CLASS. Separate financial statements for Texas CLASS may be obtained by contacting MBIA Asset Management at 815-A Brazos Street, Suite 345, Austin, Texas 78701-9996 or by calling 800-707-6242.

Texas CLASS operates in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. Texas CLASS uses amortized cost rather than market value to report net position to

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compute share prices. Accordingly, the fair value of the position in Texas CLASS is the same as the value of Texas CLASS shares.

B. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

Governmental Activities:	Beginning Balances*	Increases	(Decreases)	Ending Balances
Capital assets not being depreciated:				
Land	\$ 4,366,348	\$ -	\$ -	\$ 4,366,348
Total Capital Assets Not Being Depreciated	<u>4,366,348</u>	<u>-</u>	<u>-</u>	<u>4,366,348</u>
Other capital assets:				
Buildings and improvements	159,307,541	-	-	159,307,541
Furniture and equipment	8,839,570	770,076	-	9,609,646
Vehicles	4,718,562	52,049	-	4,770,611
Total Other Capital Assets	<u>172,865,673</u>	<u>822,125</u>	<u>-</u>	<u>173,687,798</u>
Less accumulated depreciation for:				
Buildings and improvements	(73,135,187)	(5,450,080)	-	(78,585,267)
Furniture and equipment	(6,640,076)	(643,272)	-	(7,283,348)
Vehicles	(2,377,344)	(310,756)	-	(2,688,100)
Total Accumulated Depreciation	<u>(82,152,607)</u>	<u>(6,404,108)</u>	<u>-</u>	<u>(88,556,715)</u>
Other capital assets, net	<u>90,713,066</u>	<u>(5,581,983)</u>	<u>-</u>	<u>85,131,083</u>
Governmental Activities Capital Assets, Net	<u>\$ 95,079,414</u>	<u>\$ (5,581,983)</u>	<u>\$ -</u>	<u>89,497,431</u>
			Less associated debt	(60,521,905)
			Plus deferred charge on refunding	<u>2,515,470</u>
			Net Investment in Capital Assets	<u>\$ 31,490,996</u>

*Beginning balances have been restated.

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Depreciation was charged to governmental functions as follows:

	Governmental Activities
11 Instruction	\$ 712,663
34 Student transportation	169,207
35 Food services	80,572
36 Extracurricular activities	14,210
51 Plant maintenance and operations	174,473
52 Security and monitoring services	92,247
53 Data processing services	103,342
81 Facilities acquisition and construction	5,057,394
Total Depreciation Expense	\$ 6,404,108

C. Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the general and debt service funds to liquidate governmental long-term liabilities.

Governmental Activities:	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
Bonds payables:					
Series 2008 4.00%	\$ 5,005,000	\$ -	\$ (1,175,000)	\$ 3,830,000	\$ 1,225,000
Series 2011 2.00 - 3.00%	8,369,998	-	(100,000)	8,269,998	100,000
Series 2012 2.00 - 4.00%	9,090,000	-	(25,000)	9,065,000	1,170,000
Series 2013 2.00 - 5.00%	36,640,000	-	(2,495,000)	34,145,000	1,435,000
	<u>59,104,998</u>	<u>-</u>	<u>(3,795,000)</u>	<u>55,309,998</u>	<u>* 3,930,000</u>
Other liabilities:					
Compensated absences	2,495	26,248	(2,246)	26,497	23,847
Unamortized premium	5,743,595	-	(531,688)	5,211,907	*
Accreted interest	757,020	34,022	-	791,042	-
Net pension liability	10,368,705	1,311,726	(3,236,295)	8,444,136	-
Total Governmental Activities	\$ 75,976,813	\$ 1,371,996	\$ (7,565,229)	\$ 69,783,580	\$ 3,953,847
Long-term liabilities due in more than one year				\$ 65,829,733	
*Debt associated with capital assets				\$ 60,521,905	

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage

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regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. Although the District does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

The annual requirements to amortize debt issues outstanding at year end were as follows:

Year Ended			Total
Aug 31	Principal	Interest	Requirements
2016	\$ 3,930,000	\$ 2,022,500	\$ 5,952,500
2017	4,370,000	1,865,738	6,235,738
2018	4,510,000	1,727,925	6,237,925
2019	3,100,000	1,593,088	4,693,088
2020	2,414,998	2,449,151	4,864,149
2021-2025	18,860,000	5,636,250	24,496,250
2026-2029	18,125,000	1,221,850	19,346,850
	<u>\$ 55,309,998</u>	<u>\$ 16,516,502</u>	<u>\$ 71,826,500</u>

D. Commitments Under Noncapitalized Leases

During the year, the District expended a total of \$36,505 for operating (non-capitalized) leases and, in accordance with standard non-appropriation clauses in the various lease agreements, the District has no future obligation in relation to these leases.

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E. Interfund Transactions

The following is a summary of the District's interfund transactions for the year.

	<u>Due From Other Funds</u>
General fund	
Hurricane Ike fund	\$ 13,610,792
Capital projects fund	4,010,348
Other governmental funds	2,495,252
Internal service funds	157,954
Total General Fund	<u>20,274,346</u>
Capital projects fund	
Hurricane Ike fund	4,045,019
Total Capital Projects Fund	<u>4,045,019</u>
Other governmental funds	
General	32,224
Capital projects fund	34,671
Other governmental funds	17,434
Total Other Governmental Funds	<u>84,329</u>
Internal service fund	
General fund	2,100
Total Internal Service Fund	<u>2,100</u>
Total	<u><u>\$ 24,405,794</u></u>

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Capital projects fund	\$ 11,742
Capital projects fund	Other governmental funds	1,882,136
Other governmental funds	Other governmental funds	6,354
Internal service fund	General fund	250,000
	Total	<u><u>\$ 2,150,232</u></u>

Amounts transferred between funds related to the funding of certain capital projects.

F. Restatement of Net Position/Fund Balance

The beginning net position for governmental activities and beginning fund balance for general fund was restated to account for a due to state adjustment that should have been recorded in the prior year related to foundation program revenue. The beginning net position for governmental activities has been restated to account for an adjustment to capital asset and accumulated depreciation beginning balances. In addition, the beginning net position for governmental activities has been restated to

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account for the recognition of net pension liability as of the pension plan's measurement date and deferred outflows related to contributions made after the pension plan's measurement date.

The beginning net position was restated as follows:

	Governmental Activities	General Fund
Beginning net position/fund balance - as reported	\$ 77,721,967	\$ 30,037,299
Restatement - due to state	(938,007)	(938,007)
Restatement - capital assets	(73,678)	-
Restatement - accumulated depreciation	(551,059)	-
Restatement - net pension liability	(10,368,705)	-
Restatement - deferred outflows	801,464	-
Beginning net position/fund balance - restated	<u>\$ 66,591,982</u>	<u>\$ 29,099,292</u>

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

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C. Defined Benefit Pension Plan

Teacher Retirement System

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with five 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 five 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 cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in Plan Description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than six percent of the member's annual compensation and a state contribution rate of not less than six percent and not more than ten percent of the aggregate annual compensation paid to members of

GALVESTON

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. It also added a 1.5 percent contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

<u>Contribution Rates</u>	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer # 0640 - 2014 Employer Contributions		\$ 801,464
Employer # 0640 - 2014 Member Contributions		\$ 745,323
Employer # 0640 - 2014 NECE On-behalf Contributions		\$1,774,396

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the 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 (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2015

In addition to the employer contributions listed above, when employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term Expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011, they contained a significant margin for possible future mortality improvement. As of the date of the valuation, there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees were decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Discount Rate

The discount rate used to measure the total pension liability was eight percent. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is eight percent. 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

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2015

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, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha	0%		1.0%
Total	<u>100%</u>		<u>8.7%</u>

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used (8.0%) in measuring the 2014 net pension liability.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's proportionate share of the net pension liability	<u>\$ 15,089,159</u>	<u>\$ 8,444,136</u>	<u>\$ 3,474,896</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2014, the District reported a liability of \$8,444,136 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the 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 the District were as follows:

District's proportionate share of the collective net pension liability	\$ 8,444,136
State's proportionate share that is associated with the District	<u>18,734,703</u>
Total	<u>\$27,178,839</u>

The net pension liability was measured as of August 31, 2014 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, 2013 through August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.0316100 percent, which was a decrease of 0.00000644 percent from its proportion measured as of August 31, 2013. The change in proportion was immaterial and, therefore, disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5 percent contribution for employers not paying OASDI on certain employees went into law effective September 1, 2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$950,679 and revenue of \$1,731,988 for support provided by the State.

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INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2015

At August 31, 2014, the 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 Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 130,591	\$ -
Changes in actuarial assumptions	548,878	-
Difference between projected and actual investment earnings	-	2,213
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	2,580,873
Contributions paid to TRS subsequent to the measurement date	1,561,821	-
Total	\$ 2,241,290	\$ 2,583,086

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
2016	\$ (531,214)
2017	\$ (531,214)
2018	\$ (531,214)
2019	\$ (531,214)
2020	\$ 114,005
Thereafter	\$ 107,234

D. Retiree Health Care Plan

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2015

school employee contribution rates were one percent and 0.65 percent of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55 percent for fiscal years 2015, 2014, and 2013. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. For the years ended August 31, 2015, 2014, and 2013, the State's contributions to TRS-Care were \$33,940, \$27,055, and \$34,097, respectively; the active member contributions were \$275,075, \$238,280, and \$239,207, respectively; and the District's contributions were \$232,755, \$201,621, and \$202,406, respectively; which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2015, 2014, and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$173,279, \$99,848, and \$98,158, respectively.

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An "early retiree" is defined as a plan participant ages 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. For the fiscal year ended August 31, 2015, the District did not receive any TRS-Care on-behalf payments.

E. Employee Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependants. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2015 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation

TASB Risk Management Fund

During the year ended August 31, 2015, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2015

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2014, the Fund carries a discounted reserve of \$56,905,750 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2015, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

G. Unemployment Compensation

During the year ended August 31, 2015, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 701 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the unemployment compensation pool. For the year ended August 31, 2015, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of the contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2014 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

H. Shared Service Arrangements

The District is the fiscal agent for two shared service arrangements (SSA) which provide services for visually impaired students to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent.

GALVESTON

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2015

According to guidance provided in the TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in special revenue funds and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below.

Visually Impaired Program - Fund 446

Member Districts

La Marque ISD	\$ 9,198
Texas City ISD	21,463
Galveston ISD	30,662
Total	\$ 61,323

Supplemental Visually Impaired for Special Education - Fund 434

Member Districts

Hitchcock ISD	\$ 6,898
Texas City ISD	10,347
Dickinson ISD	16,095
Galveston ISD	28,742
Friendswood ISD	45,986
La Marque ISD	6,898
Total	\$ 114,966

I. Hurricane Ike

The eye of Hurricane Ike made landfall on September 13, 2008 just to the east of Galveston Island and resulted in catastrophic damage to the District's entire service area. At landfall, the storm was rated as a category 2 hurricane; however, Ike's width beyond the eye of the storm was large with a storm surge disproportional to its wind speed (category). The storm resulted in extensive flooding submerging substantial portions of the Galveston area. In addition, wind damage was significant. Ike's damage along the Gulf Coast was estimated to reach \$31.5 billion, which would make it the third costliest hurricane on record. In addition, the District's service area suffered a huge economic devastation beyond the direct damage caused by the storm.

Damage to the District's facilities was extensive, amounting to approximately \$47,900,000. The District expects to receive approximately \$8,400,000 in insurance proceeds. The Federal Emergency Management Agency (FEMA) has already paid the District approximately \$17,600,000 under various grant programs and another \$17,655,811 is anticipated based on expenses incurred to date. However, some additional expenses have yet to be incurred. It is anticipated that FEMA will pay only 90 percent of expenses incurred, less insurance proceeds. The remaining ten percent shall be covered by the District. While many of these expenditures incurred by the District are expected to be reimbursed by FEMA, it has been the experience of other local governments in the area that application of policies and procedures has varied and the exact amount that will be recovered is unknown. In addition, as costs are still being incurred, the exact cost cannot be determined. The Department of Homeland Security has begun to review the State of Texas' and FEMA's handling of other governments' claims and have been critical of the handling of these agencies. Such reviews could additionally impact the amount received by the District. Management of the District has estimated the damages incurred, the insurance proceeds remaining, and the amounts it anticipates to recover from FEMA. However, the amount ultimately expended by the District, received from insurance proceeds, and paid by FEMA could vary significantly.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2015

J. Subsequent Event

On September 24, 2015, the District obtained a revolving credit note in the amount of \$12,000,000; however, only \$2,500,000 was borrowed. The interest rate on the credit note was 3.25 percent and its maturity date was February 26, 2016. As of December 15, 2015, the District paid off the entire balance that it borrowed.

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REQUIRED SUPPLEMENTARY INFORMATION

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND - EXHIBIT G-1
For the Year Ended August 31, 2015

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget
		Original	Final		
	<u>Revenues</u>				
5700	Local and intermediate sources	\$ 57,723,942	\$ 59,845,000	\$ 59,965,979	\$ 120,979
5800	State program revenues	7,738,305	6,908,512	6,972,520	64,008
5900	Federal program revenues	1,216,003	1,882,000	1,492,741	(389,259)
5020	Total Revenues	<u>66,678,250</u>	<u>68,635,512</u>	<u>68,431,240</u>	<u>(204,272)</u>
	<u>Expenditures</u>				
0011	Instruction	28,780,906	28,938,228	28,929,165	9,063
0012	Instruction resources	702,558	565,400	565,241	159
0013	Curriculum and instructional	562,395	552,075	551,892	183
0021	Instructional leadership	1,467,330	1,552,233	1,549,452	2,781
0023	School leadership	3,163,297	3,375,105	3,372,794	2,311
0031	Guidance, counseling, evaluation	1,554,246	1,499,055	1,496,524	2,531
0032	Social work services	112,556	86,681	85,068	1,613
0033	Health services	505,148	492,012	489,417	2,595
0034	Student (pupil) transportation	2,177,397	2,636,985	2,625,586	11,399
0036	Extracurricular activities	1,805,278	1,968,004	1,955,876	12,128
0041	General administration	2,205,163	2,278,118	2,278,023	95
0051	Plant maintenance and operations	7,570,721	7,189,338	7,134,189	55,149
0052	Security and monitoring services	865,243	699,231	697,156	2,075
0053	Data processing services	1,530,308	1,696,631	1,692,932	3,699
0061	Community services	136,679	179,449	162,928	16,521
	Capital outlay:				
0081	Facilities acquisition and construction	142,500	130,187	117,853	12,334
	Intergovernmental:				
0091	Contracted instructional services	12,949,720	12,767,340	12,308,716	458,624
0093	Payments to shared service arrangements	1,717,780	1,509,476	1,479,899	29,577
0099	Other governmental charges	465,000	519,965	519,965	-
6030	Total Expenditures	<u>68,414,225</u>	<u>68,635,513</u>	<u>68,012,676</u>	<u>622,837</u>
1100	(Deficiency) of Revenues (Under) Expenditures	<u>(1,735,975)</u>	<u>(1)</u>	<u>418,564</u>	<u>418,565</u>
	<u>Other Financing Sources (Uses)</u>				
7912	Sale of real and personal property	-	-	11,742	11,742
8911	Transfers (out)	-	(250,000)	(250,000)	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>(250,000)</u>	<u>(238,258)</u>	<u>11,742</u>
1200	Net Change in Fund Balance	<u>(1,735,975)</u>	<u>(250,001)</u>	<u>180,306</u>	<u>430,307</u>
0100	Beginning fund balance	<u>29,099,292</u>	<u>29,099,292</u>	<u>29,099,292</u>	<u>-</u>
3000	Ending Fund Balance	<u>\$ 27,363,317</u>	<u>\$ 28,849,291</u>	<u>\$ 29,279,598</u>	<u>\$ 430,307</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

GALVESTON
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-2
For the Year Ended August 31, 2015

	<u>Fiscal Year*</u>
	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0316100%
District's proportionate share of the net pension liability (asset)	\$ 8,444,136
State's proportionate share of the net pension liability (asset) associated with the District	18,734,703
Total	<u>\$ 27,178,839</u>
District's covered employee payroll**	\$ 36,658,444
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	23.03%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

* Only one year's worth of information is currently available.

** As of the measurement date.

Notes to Required Supplementary Information:

Changes in assumptions . When the mortality assumptions were adopted in 2011, they contained a significant margin for possible future mortality improvement. As of the date of the valuation, there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35. There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

GALVESTON
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3
For the Year Ended August 31, 2015

	Fiscal Year*	
	2015	2014
Contractually required contribution	\$ 1,561,821	\$ 801,464
Contributions in relations to the contractually required contribution	1,561,821	801,464
Contribution deficiency (excess)	\$ -	\$ -
District's covered employee payroll	\$ 42,319,177	\$ 36,658,444
Contributions as a percentage of covered employee payroll	3.69%	2.19%

* Only two years' worth of information is currently available.

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***OTHER SUPPLEMENTARY
INFORMATION***

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 1 of 3)
August 31, 2015

Data Control Codes		Special Revenue Funds			
		206 ESEA Title X Part C Homeless Children	211 Part A Improving Basic Prog	224 IDEA-B Formula	225 IDEA-B Preschool
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from other governments	50,699	405,306	322,569	16,544
1260	Due from other funds	-	32,223	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 50,699</u>	<u>\$ 437,529</u>	<u>\$ 322,569</u>	<u>\$ 16,544</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ -	\$ 383	\$ -	\$ -
2150	Payroll deductions payable	459	18,648	6,313	443
2160	Accrued wages payable	-	45,589	56,069	3,348
2170	Due to other funds	50,240	372,909	260,187	12,753
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	<u>50,699</u>	<u>437,529</u>	<u>322,569</u>	<u>16,544</u>
	<u>Fund Balances</u>				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/State fund grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 50,699</u>	<u>\$ 437,529</u>	<u>\$ 322,569</u>	<u>\$ 16,544</u>

Special Revenue Funds					
240	244	255	263	265	277
National School Breakfast and Lunch Program	Career and Technical Basic	ESEA Title II Part A Training	Title III ELA	21st Century Grant	Youth Career Connect
\$ 2,527,424	\$ -	\$ -	\$ -	\$ 111	\$ -
-	12,574	90,788	22,697	585,800	185,968
-	-	-	-	-	-
-	-	-	-	-	-
123,604	-	-	-	-	-
<u>\$ 2,651,028</u>	<u>\$ 12,574</u>	<u>\$ 90,788</u>	<u>\$ 22,697</u>	<u>\$ 585,911</u>	<u>\$ 185,968</u>
\$ 63,340	\$ -	\$ -	\$ -	\$ -	\$ 2,083
640	219	549	559	6,792	1,081
43,796	-	-	1,063	-	-
225,386	12,355	90,239	21,075	579,119	182,804
-	-	-	-	-	-
-	-	-	-	-	-
<u>333,162</u>	<u>12,574</u>	<u>90,788</u>	<u>22,697</u>	<u>585,911</u>	<u>185,968</u>
123,604	-	-	-	-	-
2,194,262	-	-	-	-	-
-	-	-	-	-	-
<u>2,317,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,651,028</u>	<u>\$ 12,574</u>	<u>\$ 90,788</u>	<u>\$ 22,697</u>	<u>\$ 585,911</u>	<u>\$ 185,968</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 3)
August 31, 2015

Data Control Codes		Special Revenue Funds			
		280	286	288	397
		Teacher Incentive	Title I SIP Academy Grant ARRA	Literacy Through School Libraries	Advanced Placement Incentives
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 8,067
1240	Due from other governments	135,023	623	491,911	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 135,023</u>	<u>\$ 623</u>	<u>\$ 491,911</u>	<u>\$ 8,067</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ 10	\$ -	\$ 7,750	\$ -
2150	Payroll deductions payable	1,146	-	18,854	-
2160	Accrued wages payable	-	-	19,442	-
2170	Due to other funds	133,867	623	445,865	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	<u>135,023</u>	<u>623</u>	<u>491,911</u>	<u>-</u>
	<u>Fund Balances</u>				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/State fund grant restrictions	-	-	-	8,067
3490	Other restrictions of fund balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,067</u>
4000	Total Liabilities and Fund Balances	<u>\$ 135,023</u>	<u>\$ 623</u>	<u>\$ 491,911</u>	<u>\$ 8,067</u>

Special Revenue Funds					
410	427	429	434	446	461
State Textbook	State Funded Special Revenue	Miscellaneous State Special Revenue Program	Supplemental Visually Impaired	Shared Service Locally Defined	Campus Activity
\$ 17,715	\$ 5,129	\$ 834,773	\$ -	\$ -	\$ 147,888
-	-	-	-	-	-
-	-	-	-	17,435	-
-	-	-	42,292	40,966	-
-	-	-	-	-	-
<u>\$ 17,715</u>	<u>\$ 5,129</u>	<u>\$ 834,773</u>	<u>\$ 42,292</u>	<u>\$ 58,401</u>	<u>\$ 147,888</u>
\$ -	\$ -	\$ 13,350	\$ -	\$ -	\$ 4,265
-	-	-	172	72	-
-	-	-	6,180	3,357	-
-	-	-	35,940	54,972	-
-	-	-	-	-	-
17,715	-	-	-	-	-
<u>17,715</u>	<u>-</u>	<u>13,350</u>	<u>42,292</u>	<u>58,401</u>	<u>4,265</u>
-	-	-	-	-	-
-	5,129	821,423	-	-	-
-	-	-	-	-	143,623
<u>-</u>	<u>5,129</u>	<u>821,423</u>	<u>-</u>	<u>-</u>	<u>143,623</u>
<u>\$ 17,715</u>	<u>\$ 5,129</u>	<u>\$ 834,773</u>	<u>\$ 42,292</u>	<u>\$ 58,401</u>	<u>\$ 147,888</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 3 of 3)
August 31, 2015

Data Control Codes		Special Revenue Funds			
		480	484	486	491
		BHS Booster Club Donations	Galveston Educational Foundation	Miscellaneous Donations	Ike Donation
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ 6,744	\$ -	\$ 75,885	\$ -
1240	Due from other governments	-	-	-	-
1260	Due from other funds	-	34,671	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 6,744</u>	<u>\$ 34,671</u>	<u>\$ 75,885</u>	<u>\$ -</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ -	\$ 2	\$ -	\$ -
2150	Payroll deductions payable	-	85	30	-
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	34,352	-	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>34,439</u>	<u>30</u>	<u>-</u>
	<u>Fund Balances</u>				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/State fund grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	6,744	232	75,855	-
3000	Total Fund Balances	<u>6,744</u>	<u>232</u>	<u>75,855</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 6,744</u>	<u>\$ 34,671</u>	<u>\$ 75,885</u>	<u>\$ -</u>

Special Revenue Funds		
499		
Other Special Revenue	Total Nonmajor Governmental Funds	
\$ 13,159	\$ 3,636,895	
-	2,320,502	
-	84,329	
-	83,258	
-	123,604	
<u>\$ 13,159</u>	<u>\$ 6,248,588</u>	

\$ -	\$ 91,183	
-	56,062	
-	178,844	
-	2,512,686	
920	920	
-	17,715	
<u>920</u>	<u>2,857,410</u>	

-	123,604	
-	3,028,881	
12,239	238,693	
<u>12,239</u>	<u>3,391,178</u>	
<u>\$ 13,159</u>	<u>\$ 6,248,588</u>	

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 1 of 3)
For the Year Ended August 31, 2015

Data Control Codes		Special Revenue Funds			
		206	211	224	225
		ESEA			
		Title X Part C Homeless Children	Part A Improving Basic Prog	IDEA-B Formula	IDEA-B Preschool
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	56,271	2,696,294	1,452,251	80,494
5020	Total Revenues	56,271	2,696,294	1,452,251	80,494
<u>Expenditures</u>					
Current:					
0011	Instruction	-	1,646,066	856,649	80,494
0012	Instruction resources	-	444	-	-
0013	Curriculum and instructional	-	576,938	14,251	-
0021	Instructional leadership	-	140,692	-	-
0023	School leadership	-	20,310	-	-
0031	Guidance, counseling, evaluation	-	-	581,351	-
0032	Social work services	-	65,357	-	-
0033	Health services	-	246,487	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0061	Community services	56,271	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	56,271	2,696,294	1,452,251	80,494
<u>Other Financing Sources (Uses)</u>					
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	-
0100	Beginning fund balances	-	-	-	-
3000	Ending Fund Balances	\$ -	\$ -	\$ -	\$ -

Special Revenue Funds					
240	244	255	263	265	277
National School Breakfast and Lunch Program	Career and Technical Basic	ESEA Title II Part A Training	Title III ELA	21st Century Grant	Youth Career Connect
\$ 1,636,129	\$ -	\$ -	\$ 7,475	\$ -	\$ -
21,672	-	-	-	-	-
4,122,069	72,865	518,857	171,087	1,414,061	354,060
5,779,870	72,865	518,857	178,562	1,414,061	354,060
-	10,257	220,084	80,558	1,063,184	89,102
-	-	-	-	-	1,080
-	1,890	285,732	97,056	1,691	4,452
-	499	2,174	948	72,379	167,025
-	-	-	-	-	-
-	60,219	-	-	-	92,401
-	-	-	-	-	-
-	-	-	-	-	-
6,115,974	-	-	-	-	-
-	-	-	-	-	-
-	-	10,867	-	-	-
348,892	-	-	-	222,281	-
-	-	-	-	54,526	-
-	-	-	-	-	-
6,464,866	72,865	518,857	178,562	1,414,061	354,060
-	-	-	-	-	-
-	-	-	-	-	-
(684,996)	-	-	-	-	-
3,002,862	-	-	-	-	-
\$ 2,317,866	\$ -	\$ -	\$ -	\$ -	\$ -

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 2 of 3)
For the Year Ended August 31, 2015

Data Control Codes		Special Revenue Funds			
		280	286	288	397
		Teacher Incentive	Title I SIP Academy Grant ARRA	Literacy Through School Libraries	Advanced Placement Incentives
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	21,679
5900	Federal program revenues	1,936,274	-	5,149,030	-
5020	Total Revenues	1,936,274	-	5,149,030	21,679
<u>Expenditures</u>					
Current:					
0011	Instruction	1,648,926	-	3,610,378	13,542
0012	Instruction resources	-	-	-	-
0013	Curriculum and instructional	3,354	-	640,703	70
0021	Instructional leadership	235,583	-	663,299	-
0023	School leadership	48,411	-	-	-
0031	Guidance, counseling, evaluation	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	7,480	-
0061	Community services	-	-	211,670	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	15,500	-
6030	Total Expenditures	1,936,274	-	5,149,030	13,612
<u>Other Financing Sources (Uses)</u>					
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	8,067
0100	Beginning fund balances	-	-	-	-
3000	Ending Fund Balances	\$ -	\$ -	\$ -	\$ 8,067

Special Revenue Funds					
410	427	429	434	446	461
State Textbook	State Funded Special Revenue	Miscellaneous State Special Revenue Program	Supplemental Visually Impaired	Shared Service Locally Defined	Campus Activity
\$ -	\$ -	\$ -	\$ 114,967	\$ 61,323	\$ 187,462
357,167	-	-	6,097	3,921	-
-	-	-	-	-	-
357,167	-	-	121,064	65,244	187,462
357,167	-	718	121,064	65,244	19,479
-	-	13,723	-	-	47,609
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	142,007
-	-	-	-	-	-
-	-	8,654	-	-	-
-	-	-	-	-	-
-	-	64,672	-	-	-
357,167	-	87,767	121,064	65,244	209,095
-	-	-	-	-	-
-	-	(1,882,136)	-	-	-
-	-	(1,969,903)	-	-	(21,633)
-	5,129	2,791,326	-	-	165,256
\$ -	\$ 5,129	\$ 821,423	\$ -	\$ -	\$ 143,623

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 3 of 3)
For the Year Ended August 31, 2015

Data Control Codes		Special Revenue Funds			
		480	484	486	491
		BHS Booster Club Donations	Galveston Educational Foundation	Miscellaneous Donations	Ike Donation
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ 246,495	\$ 34,645	\$ -
5800	State program revenues	-	3,886	407	-
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	-	250,381	35,052	-
Expenditures					
Current:					
0011	Instruction	212,719	151,625	12,366	-
0012	Instruction resources	-	-	-	-
0013	Curriculum and instructional	-	-	16,559	-
0021	Instructional leadership	-	2,154	279	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, evaluation	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	1,533	-
0041	General administration	-	96,370	1,700	-
0051	Plant maintenance and operations	-	-	-	-
0061	Community services	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	212,719	250,149	32,437	-
Other Financing Sources (Uses)					
7915	Transfers in	-	-	6,354	-
8911	Transfers (out)	-	-	-	(6,354)
1200	Net Change in Fund Balances	(212,719)	232	8,969	(6,354)
0100	Beginning fund balances	219,463	-	66,886	6,354
3000	Ending Fund Balances	\$ 6,744	\$ 232	\$ 75,855	\$ -

Special Revenue Funds		
499		
Other Special Revenue		Total Nonmajor Governmental Funds
\$ 6,179	\$	2,294,675
117		414,946
-		18,023,613
6,296		20,733,234

8,243	10,267,865
-	62,856
-	1,642,696
-	1,285,032
-	68,721
4,535	738,506
-	65,357
-	246,487
-	6,115,974
-	143,540
-	108,937
-	587,307
-	322,467
-	80,172
12,778	21,735,917

-	6,354
-	(1,888,490)
(6,482)	(2,884,819)
18,721	6,275,997
\$ 12,239	\$ 3,391,178

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS - EXHIBIT H-3

August 31, 2015

Data Control Codes		748	753	771	772
		Concession	Health Insurance	Workers' Compensation Insurance	Care Here
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ 11,422	\$ 84,198	\$ 644,919	\$ 250,000
1260	Due from other funds	-	2,100	-	-
1000	Total Assets	11,422	86,298	644,919	250,000
	<u>Liabilities</u>				
	Current liabilities:				
2110	Accounts payable	-	-	-	86,199
2170	Due to other funds	-	86,298	-	71,656
2000	Total Liabilities	-	86,298	-	157,855
	<u>Net Position</u>				
3900	Unrestricted	11,422	-	644,919	92,145
4000	Total Net Position	\$ 11,422	\$ -	\$ 644,919	\$ 92,145

773		Total	
Flex		Internal	
Spending		Service	
		Funds	
\$	82,602	\$	1,073,141
	-		2,100
	<u>82,602</u>		<u>1,075,241</u>
	-		86,199
	-		<u>157,954</u>
	-		<u>244,153</u>
	<u>82,602</u>		<u>831,088</u>
\$	<u>82,602</u>	\$	<u>831,088</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS - EXHIBIT H-4
For the Year Ended August 31, 2015

Data Control Dates		748	753	771	772
		Concession	Health Insurance	Workers' Compensation Insurance	Care Here
	<u>Operating Revenues</u>				
5700	Local and intermediate sources	\$ 15,672	\$ -	\$ 21,499	\$ 361,052
5800	State program revenues	374	-	-	-
5020	Total Operating Revenues	<u>16,046</u>	<u>-</u>	<u>21,499</u>	<u>361,052</u>
	<u>Operating Expenses</u>				
6100	Payroll costs	5,416	-	-	-
6200	Professional and contracted services	-	-	39,435	538,330
6300	Supplies and materials	15,434	-	2,024	-
6030	Total Expenses	<u>20,850</u>	<u>-</u>	<u>41,459</u>	<u>538,330</u>
	Operating Income (Loss)	<u>(4,804)</u>	<u>-</u>	<u>(19,960)</u>	<u>(177,278)</u>
	<u>Non-Operating Revenues (Expenses)</u>				
7915	Transfers in	-	-	-	250,000
	Total Non-operating Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>
1200	Change in Net Position	(4,804)	-	(19,960)	72,722
0100	Beginning net position	<u>16,226</u>	<u>-</u>	<u>664,879</u>	<u>19,423</u>
3000	Ending Net Position	<u>\$ 11,422</u>	<u>\$ -</u>	<u>\$ 644,919</u>	<u>\$ 92,145</u>

773		Total	
Flex		Internal	
Spending		Service	
		Funds	
\$	24,231	\$	422,454
	-		374
	<u>24,231</u>		<u>422,828</u>
	-		5,416
	-		577,765
	-		17,458
	<u>-</u>		<u>600,639</u>
	24,231		(177,811)
	-		250,000
	<u>-</u>		<u>250,000</u>
	24,231		72,189
	<u>58,371</u>		<u>758,899</u>
\$	<u>82,602</u>	\$	<u>831,088</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS - EXHIBIT H-5

For the Year Ended August 31, 2015

	748	753	771	772
	Concession	Health Insurance	Workers' Compensation Insurance	Care Here
<u>Cash Flows from Operating Activities</u>				
Cash received from customers	\$ 16,046	\$ -	\$ 21,259	\$ 432,708
Cash payments to employees	(5,416)	-	-	-
Cash payments to suppliers for services	(15,434)	84,198	(41,459)	(474,033)
Net Cash Provided (Used) by Operating Activities	(4,804)	84,198	(20,200)	(41,325)
<u>Cash Flows from Non-Operating Activities</u>				
Transfer in	-	-	-	250,000
Net Cash Provided by Non-Operating Activities	-	-	-	250,000
Net Increase (Decrease) in Cash and Cash Equivalents	(4,804)	84,198	(20,200)	208,675
Beginning cash and cash equivalents	16,226	-	665,119	41,325
Ending Cash and Cash Equivalents	<u>\$ 11,422</u>	<u>\$ 84,198</u>	<u>\$ 644,919</u>	<u>\$ 250,000</u>
Reconciliation of Operating Income (Loss)				
to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ (4,804)	\$ -	\$ (19,960)	\$ (177,278)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Increase (Decrease) in:				
(Increase) decrease in due from other funds	-	(2,087)	-	-
Increase (decrease) in due to other funds	-	86,298	(240)	71,656
Increase (decrease) in accounts payable	-	(13)	-	64,297
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,804)</u>	<u>\$ 84,198</u>	<u>\$ (20,200)</u>	<u>\$ (41,325)</u>

773	Total
Flex	Internal
Spending	Service
Funds	
\$ 24,231	\$ 494,244
-	(5,416)
-	(446,728)
<u>24,231</u>	<u>42,100</u>
-	250,000
<u>-</u>	<u>250,000</u>
24,231	292,100
<u>58,371</u>	<u>781,041</u>
<u>\$ 82,602</u>	<u>\$ 1,073,141</u>
\$ 24,231	\$ (177,811)
-	(2,087)
-	157,714
-	64,284
<u>\$ 24,231</u>	<u>\$ 42,100</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT H-6 (Page 1 of 3)
August 31, 2015

	800	801	802	803
	Dance Scholarship	T. Campos Scholarship	BHS Scholarship	Helping TORS Forever
<u>Assets:</u>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted assets	1	490	9,994	2,453
Total Assets	<u>1</u>	<u>490</u>	<u>9,994</u>	<u>2,453</u>
<u>Liabilities:</u>				
Current liabilities:				
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position:</u>				
Held in trust	1	490	9,994	2,453
Total Net Position	<u>\$ 1</u>	<u>\$ 490</u>	<u>\$ 9,994</u>	<u>\$ 2,453</u>

804	805	806	807	808	809
Student	GFS	James	Charles	Nurses	Richard
Awards	Memorial	Conrad	Williams	Scholarship	Dunn
	Scholarship	Scholarship	Scholarship		Memorial
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
190	50,669	66	400	335	2,225
<u>190</u>	<u>50,669</u>	<u>66</u>	<u>400</u>	<u>335</u>	<u>2,225</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
190	50,669	66	400	335	2,225
<u>\$ 190</u>	<u>\$ 50,669</u>	<u>\$ 66</u>	<u>\$ 400</u>	<u>\$ 335</u>	<u>\$ 2,225</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT H-6 (Page 2 of 3)
August 31, 2015

	810 Homeless Grant Donations	816 Scott/Anders Scholarship	817 McCullough Scholarship	818 Rosenberg Scholarship
<u>Assets:</u>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted assets	37	40,259	6,240	12,894
Total Assets	<u>37</u>	<u>40,259</u>	<u>6,240</u>	<u>12,894</u>
<u>Liabilities:</u>				
Current liabilities:				
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position:</u>				
Held in trust	37	40,259	6,240	12,894
Total Net Position	<u>\$ 37</u>	<u>\$ 40,259</u>	<u>\$ 6,240</u>	<u>\$ 12,894</u>

822 BHS Activity & Scholarship	826 Galveston Daily News Scholarship	827 Coastal Alternative Program	828 BHS Misc Scholarships	829 Ball High Booster All Sports	830 KIPP Coastal Village PTO
\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -
50,635	-	839,026	2,675	4,212	-
50,635	500	839,026	2,675	4,212	-
-	-	-	-	-	-
-	-	-	-	-	-
50,635	500	839,026	2,675	4,212	-
\$ 50,635	\$ 500	\$ 839,026	\$ 2,675	\$ 4,212	\$ -

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT H-6 (Page 3 of 3)
August 31, 2015

836

	<u>Lovenberg Maintenance</u>	<u>Total Trust Funds</u>
<u>Assets:</u>		
Cash and cash equivalents	\$ 221,042	\$ 221,542
Restricted assets	868,119	1,890,920
Total Assets	<u>1,089,161</u>	<u>2,112,462</u>
<u>Liabilities:</u>		
Current liabilities:		
Due to other funds	-	-
Total Liabilities	<u>-</u>	<u>-</u>
<u>Net Position:</u>		
Held in trust	1,089,161	2,112,462
Total Net Position	<u>\$ 1,089,161</u>	<u>\$ 2,112,462</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT H-7 (Page 1 of 3)
For the Year Ended August 31, 2015

	800	801	802	803
	Dance Scholarship	T. Campos Scholarship	BHS Scholarship	Helping TORS Forever
<u>Additions:</u>				
Donations	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Total Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Deductions:</u>				
Operating	-	-	-	-
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Position	-	-	-	-
Beginning net position	<u>1</u>	<u>490</u>	<u>9,994</u>	<u>2,453</u>
Ending Net Position	<u><u>\$ 1</u></u>	<u><u>\$ 490</u></u>	<u><u>\$ 9,994</u></u>	<u><u>\$ 2,453</u></u>

804 Student Awards	805 GFS Memorial Scholarship	806 James Conrad Scholarship	807 Charles Williams Scholarship	808 Nurses Scholarship	809 Richard Dunn Memorial
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
190	50,669	66	400	335	2,225
\$ 190	\$ 50,669	\$ 66	\$ 400	\$ 335	\$ 2,225

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT H-7 (Page 2 of 3)
For the Year Ended August 31, 2015

	810 Homeless Grant Donations	816 Scott/Anders Scholarship	817 McCullough Scholarship	818 Rosenberg Scholarship
<u>Additions:</u>				
Donations	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Total Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Deductions:</u>				
Operating	-	-	-	-
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Position	-	-	-	-
Beginning net position	<u>37</u>	<u>40,259</u>	<u>6,240</u>	<u>12,894</u>
Ending Net Position	<u><u>\$ 37</u></u>	<u><u>\$ 40,259</u></u>	<u><u>\$ 6,240</u></u>	<u><u>\$ 12,894</u></u>

822 BHS Activity & Scholarship	826 Galveston Daily News Scholarship	827 Coastal Alternative Program	828 BHS Misc Scholarships	829 Ball High Booster All Sports	830 KIPP Coastal Village PTO
\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	500	-	-	-	-
-	-	250,000	-	-	28,908
-	-	250,000	-	-	28,908
-	500	(250,000)	-	-	(28,908)
50,635	-	1,089,026	2,675	4,212	28,908
<u>\$ 50,635</u>	<u>\$ 500</u>	<u>\$ 839,026</u>	<u>\$ 2,675</u>	<u>\$ 4,212</u>	<u>\$ -</u>

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT H-7 (Page 3 of 3)
For the Year Ended August 31, 2015

836

	<u>Lovenberg Maintenance</u>	<u>Total Trust Funds</u>
<u>Additions:</u>		
Donations	\$ -	\$ 500
Investment earnings	13,529	13,529
Total Additions	<u>13,529</u>	<u>14,029</u>
<u>Deductions:</u>		
Operating	39,324	318,232
Total Deductions	<u>39,324</u>	<u>318,232</u>
Changes in Net Position	(25,795)	(304,203)
Beginning net position	<u>1,114,956</u>	<u>2,416,665</u>
Ending Net Position	<u><u>\$ 1,089,161</u></u>	<u><u>\$ 2,112,462</u></u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1
For the Year Ended August 31, 2015

	1	2	3
	Tax Rates		Net Assessed/ Appraised Value For School Tax Purposes
<u>Last Ten Years</u>	<u>Maintenance</u>	<u>Debt Service</u>	
2006 and prior	Various	Various	Various
2007	\$ 1.3700	\$ 0.1550	\$ 4,024,240,609
2008	\$ 1.0400	\$ 0.1350	\$ 4,431,935,339
2009	\$ 1.0400	\$ 0.1250	\$ 4,820,255,794
2010	\$ 1.0400	\$ 0.1250	\$ 4,075,355,225
2011	\$ 1.0400	\$ 0.1250	\$ 4,398,184,463
2012	\$ 1.0400	\$ 0.1250	\$ 4,660,353,305
2013	\$ 1.0400	\$ 0.1250	\$ 4,986,602,403
2014	\$ 1.0400	\$ 0.1250	\$ 5,267,605,064
2015	\$ 1.0600	\$ 0.0950	\$ 5,544,074,372
1000 Totals			

10	20	31	32	40	50
Beginning Balance 8/31/14	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/15
\$ 774,810	\$ -	\$ 48,983	\$ 6,252	\$ (129,938)	\$ 589,637
204,036	-	12,825	1,581	(1,999)	187,631
189,329	-	13,335	1,509	(1,727)	172,758
221,355	-	21,845	2,626	(1,789)	195,095
182,039	-	28,360	3,409	(613)	149,657
235,298	-	45,645	5,486	4,632	188,799
304,378	-	82,429	9,907	2,651	214,693
520,625	-	189,010	22,717	2,242	311,140
1,181,768	-	603,656	72,555	(40,945)	464,612
-	64,034,059	57,562,282	5,158,884	-	1,312,893
<u>\$ 3,813,638</u>	<u>\$ 64,034,059</u>	<u>\$ 58,608,370</u>	<u>\$ 5,284,926</u>	<u>\$ (167,486)</u>	<u>\$ 3,786,915</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2
For the Year Ended August 31, 2015

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<u>Revenues</u>				
5700	Local and intermediate sources	\$ 1,650,000	\$ 1,585,000	\$ 1,636,129	\$ 51,129
5800	State program revenues	23,000	21,000	21,672	672
5900	Federal program revenues	4,000,000	4,122,000	4,122,069	69
5020	Total Revenues	<u>5,673,000</u>	<u>5,728,000</u>	<u>5,779,870</u>	<u>51,870</u>
	<u>Expenditures</u>				
0035	Food service	5,437,750	6,637,750	6,115,974	521,776
0051	Plant maintenance and operations	235,250	355,250	348,892	6,358
6030	Total Expenditures	<u>5,673,000</u>	<u>6,993,000</u>	<u>6,464,866</u>	<u>528,134</u>
1200	Net Change in Fund Balance	-	(1,265,000)	(684,996)	580,004
0100	Beginning fund balance	3,002,862	3,002,862	3,002,862	-
3000	Ending Fund Balance	<u>\$ 3,002,862</u>	<u>\$ 1,737,862</u>	<u>\$ 2,317,866</u>	<u>\$ 580,004</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - EXHIBIT J-3

For the Year Ended August 31, 2015

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<u>Revenues</u>				
5700	Local and intermediate sources	\$ 5,216,113	\$ 5,216,113	\$ 5,376,458	\$ 160,345
5020	Total Revenues	<u>5,216,113</u>	<u>5,216,113</u>	<u>5,376,458</u>	<u>160,345</u>
	<u>Expenditures</u>				
	Debt service:				
0071	Principal	5,954,800	3,795,000	3,795,000	-
0072	Interest	-	2,157,969	2,149,800	8,169
0073	Bond issuance costs and fees	-	1,831	1,831	-
6030	Total Expenditures	<u>5,954,800</u>	<u>5,954,800</u>	<u>5,946,631</u>	<u>8,169</u>
1200	Net Change in Fund Balance	<u>(738,687)</u>	<u>(738,687)</u>	<u>(570,173)</u>	<u>168,514</u>
0100	Beginning fund balance	<u>4,853,360</u>	<u>4,853,360</u>	<u>4,853,360</u>	<u>-</u>
3000	Ending Fund Balance	<u><u>\$ 4,114,673</u></u>	<u><u>\$ 4,114,673</u></u>	<u><u>\$ 4,283,187</u></u>	<u><u>\$ 168,514</u></u>

FEDERAL AWARDS SECTION



**INDEPENDENT AUDITORS' 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**

January 19, 2016

To the Board of Trustees of the
Galveston Independent School District:

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 the Galveston Independent School District (the "District"), as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 19, 2016.

Internal Control Over Financial Reporting

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

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

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

P.O. Box 826
Bellville, TX 77418
713.263.1123

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133**

January 19, 2016

To the Board of Trustees of the
Galveston Independent School District:

Report on Compliance for Each Major Federal Program

We have audited the Galveston Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

P.O. Box 826
Bellville, TX 77418
713.263.1123

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax



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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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

GALVESTON
INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2015

A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2015

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Galveston Independent School District (the "District").
2. No significant deficiencies in internal control were disclosed by the audit of the basic financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant deficiencies in internal control over major federal award programs were not disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.
7. The programs included as major programs are:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.027, 84.173	Special Education Cluster (IDEA)
84.287	21st Century Community Grant
84.374	Teacher Incentive Fund
84.165	Magnet Schools Assistance
17.274	YouthBuild Grant

8. The threshold for distinguishing Type A and B programs was \$551,166.
9. The District did qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None Noted

C. FINDINGS – FEDERAL AWARDS

None Noted

GALVESTON
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1 (Page 1 of 2)
For the Year Ended August 31, 2015

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education</i>			
ESEA Title I, Part A	84.010	15610101084902	2,745,426
IDEA B, Formula Grant*	84.027	156600010849026000	1,473,191
IDEA B, - Preschool*	84.173	156610010849026000	81,863
Title III, Part A	84.365	15671001084902	174,248
21st Century Community Grant	84.287	156950167110018	1,430,457
Career and Technical, Basic Grant	84.048	15420006084902	74,334
Title II, Part A, Teacher and Principal	84.367	15694501084902	528,579
Public Charter School Start Up	84.282	U282A100016	24
Summer School LEP	84.369	69551402	5,533
<i>Passed Through Education Service Center, Region X</i>			
Education for Homeless Children	84.196	14-056	57,765
<i>Direct Awards</i>			
Teacher Incentive Fund	84.374	S374A100015	1,973,703
Magnet Schools Assistance	84.165	U165A130047	5,237,966
TOTAL U.S. DEPARTMENT OF EDUCATION			13,783,089
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Department of Health and Human Services</i>			
YouthBuild Grant	17.274	YC-25406-14-60-A-48	382,831
TOTAL U.S. DEPARTMENT OF LABOR			382,831
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Texas Health and Human Services Commission</i>			
Medicaid Administrative Claiming Program	93.778	084-902	17,589
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			17,589

GALVESTON
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1 (Page 2 of 2)
For the Year Ended August 31, 2015

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
School Breakfast Program	10.553	71401401	1,077,336
National School Lunch	10.555	71301401	2,340,143
USDA Commodities	10.565	084-902	263,354
<i>Direct Awards</i>			
Fresh Fruit and Vegetable Program	10.582	084-902	441,236
TOTAL U.S. DEPARTMENT OF AGRICULTURE			4,122,069
U.S. DEPARTMENT OF DEFENSE			
<i>Passed Through U.S. Army</i>			
Junior ROTC	12.000	084-902	66,611
TOTAL U.S. DEPARTMENT OF DEFENSE			66,611
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 18,372,189

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

Federal revenue per SEFA	\$ 18,372,189
SHARS	879,960
Universal E-Rate	269,738
C-2 Federal revenue	\$ 19,521,887

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2015

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Galveston Independent School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the Year Ended August 31, 2015

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual financial report on the financial statements as a whole?	Yes
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the annual financial report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teacher Retirement System, Texas Workforce Commission, Internal Revenue Service, and other government agencies?	Yes
SF8	Did the District not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$ 791,042
SF11	Net pension assets (1920) at fiscal year end	\$ -
SF12	Net pension liability (2540) at fiscal year end	\$ 8,444,136
SF13	Pension expense (6147) at fiscal year end	\$ 950,679

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