ANNUAL FINANCIAL REPORT

of the

GALVESTON INDEPENDENT SCHOOL DISTRICT

For the Year Ended
August 31, 2017

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GALVESTON
INDEPENDENT SCHOOL DISTRICT

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INDEPENDENT SCHOOL DISTRICT
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INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

Galveston Independent School District	Galveston	084-902
Name of School District	County	Co. Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____approved _____disapproved for the year ended August 31, 2017, 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 Galveston Independent School District (the "District"), as of and for the year ended August 31, 2017, 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.

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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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, and schedule of District 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, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic 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 and the schedule of required responses to selected school first indicators have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2018 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, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 15, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 Galveston Independent School District (the "District") for the year ending August 31, 2017. 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, 2017 was $62,664,045.

- For the fiscal year ended August 31, 2017, the District's general fund reported a total fund balance of $32,907,342, of which $1,171,364 is nonspendable, $9,092,505 is committed for construction-related purposes, and $22,643,473 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 $40,860,805.

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 government, reporting the District's operations in more detail than the government-wide statements.

- The *governmental funds* statements tell how *general government* 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.

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 outflows/inflows 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.

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 Districts 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 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 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 $62,664,045 at August 31, 2017. *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, 2017. *Table 1* indicates the District's net position decreased $1,564,638 in total from the prior year. The details of this decrease can be seen in *Table 2*. The District experienced an increase in total revenue of $1,968,623 mostly due to an increase in property taxes, offset by decreases in operating grants and contributions and grants and contributions not restricted for specific programs. The increase in property tax revenue is primarily related to the rise in property valuations. The decrease in operating grants and contributions is related to the decrease in federal awards received during the current year. The decrease in grants and contributions not restricted for specific programs can be attributed to the change in recognition of the on-behalf pension contributions. Expenses increased by $2,515,156 in comparison to 2016. The largest increases occurred in the facilities acquisition and construction function, as well as the contracted instructional services between public schools. Instruction expenses increased due to an increase in personnel costs. Facilities acquisition and construction expenses increased primarily due to more maintenance and repair projects during the year rather than new construction projects. Contracted instructional services between schools increased due to the District's increase of Chapter 41 recapture payments.

Table 1
Net Position

Description	Governmental Activities 2017	Governmental Activities 2016	Total Change 2017-2016
Current assets	$ 49,159,508	$ 49,799,627	$ (640,119)
Capital assets	79,960,375	85,647,998	(5,687,623)
Total Assets	129,119,883	135,447,625	(6,327,742)
Deferred charge on refunding	1,954,639	2,235,054	(280,415)
Deferred outflows - pensions	7,930,400	11,539,326	(3,608,926)
Total Deferred Outflows of Resources	9,885,039	13,774,380	(3,889,341)
Current liabilities	4,385,733	6,092,346	(1,706,613)
Long-term liabilities	70,606,826	75,581,774	(4,974,948)
Total Liabilities	74,992,559	81,674,120	(6,681,561)
Deferred inflows - pensions	1,348,318	3,319,202	(1,970,884)
Total Deferred Inflows of Resources	1,348,318	3,319,202	(1,970,884)
Net Position:			
Net investment in capital assets	30,756,486	31,822,836	(1,066,350)
Restricted	7,810,688	8,199,048	(388,360)
Unrestricted	24,096,871	24,206,799	(109,928)
Total Net Position	$ 62,664,045	$ 64,228,683	$ (1,564,638)

Table 2
Changes in Net Position

	Governmental Activities 2017	Governmental Activities 2016	Total Change 2017-2016
Revenues			
Program revenues:			
Charges for services	$ 2,497,663	$ 2,055,275	$ 442,388
Operating grants and contributions	16,136,409	17,760,390	(1,623,981)
General revenues:			
Property taxes	78,513,551	71,677,123	6,836,428
Grants and contributions not restricted for specific programs	7,628,854	10,023,059	(2,394,205)
Investment earnings	160,604	127,482	33,122
Other revenue	972,429	2,297,558	(1,325,129)
Total Revenue	105,909,510	103,940,887	1,968,623
Expenses			
Instruction	40,505,459	42,344,554	(1,839,095)
Instructional resources and media services	627,727	671,363	(43,636)
Curriculum/instructional staff development	2,409,560	3,755,265	(1,345,705)
Instructional leadership	2,592,286	3,442,909	(850,623)
School leadership	3,621,569	3,562,984	58,585
Guidance, counseling, and evaluation services	2,610,740	2,621,880	(11,140)
Social work services	167,275	243,364	(76,089)
Health services	710,687	750,410	(39,723)
Student (pupil) transportation	3,207,484	3,117,181	90,303
Food services	5,785,165	5,704,500	80,665
Extracurricular activities	2,229,234	2,112,576	116,658
General administration	2,411,647	2,477,170	(65,523)
Plant maintenance and operations	7,642,998	7,982,581	(339,583)
Security and monitoring services	691,865	759,788	(67,923)
Data processing services	1,607,832	1,938,815	(330,983)
Community services	306,600	611,885	(305,285)
Debt service - interest	1,639,051	1,804,199	(165,148)
Facilities acquisition and construction	7,522,887	5,809,618	1,713,269
Contracted instructional services between public schools	19,139,263	13,202,924	5,936,339
Payments to shared services agreements	1,456,965	1,539,917	(82,952)
Other intergovernmental charges	587,854	505,109	82,745
Total Expenses	107,474,148	104,958,992	2,515,156
Change in Net Position	(1,564,638)	(1,018,105)	(546,533)
Beginning net position	64,228,683	65,246,788	(1,018,105)
Ending Net Position	$ 62,664,045	$ 64,228,683	$ (1,564,638)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2017, the District's governmental funds reported a combined fund balance of $40,860,805. This compares to a combined fund balance of $39,922,601 at August 31, 2016. The fund balance in the general fund increased by $2,405,925, prior to net transfers of $1,111,347. The increase can be mostly attributed largely to an increase in property tax revenue as a result of a rise in property valuations. The District budgeted for a deficiency of revenues under expenditures, net of transfers, of $1,918,553, and reported a positive budget variance of $3,213,131.

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

The debt service fund had an increase in fund balance of $320,669 due to property tax collections in excess of debt service payments.

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, 2017, 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 more than budgeted revenues by $1,073,220. Total general fund budgeted expenditures exceeded actual expenditures by $2,138,046 with the largest positive variances in plant maintenance and operations and 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 of an amount determined by the Board of Trustees. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2017, 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, 2017, the District had a total of $180,872,860 invested in capital assets such as land, buildings, and District equipment. This total includes $607,079 invested during the fiscal year ended August 31, 2017.

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 $47,009,998 in general obligation bonds outstanding versus $51,379,998 last year. The District paid $4,370,000 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's budgeted expenditures for the 2017-2018 school year total $86,179,708, 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 per $100 of valuation.

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 Dr. Kelli Moulton, 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, 2017

Data Control Codes			1 Governmental Activities
	Assets		
1110	Cash and cash equivalents		$ 24,350,458
1225	Property taxes receivables (net)		3,499,479
1240	Due from other governments		19,936,090
1290	Other receivables (net)		59,342
1300	Inventories		198,111
1410	Prepaid items		1,116,028
			49,159,508
	Capital assets:		
1510	Land		4,366,348
1520	Buildings and improvements, net		71,808,363
1530	Furniture and equipment, net		1,755,715
1530	Vehicles, net		2,029,949
			79,960,375
1000		**Total Assets**	129,119,883
	Deferred Outflows of Resources		
1700	Deferred charge on refunding		1,954,639
1705	Deferred outflows - pensions		7,930,400
1700		**Total Deferred Outflows of Resources**	9,885,039
	Liabilities		
2110	Accounts payable		1,278,437
2140	Interest payable		145,645
2150	Payroll deductions payable		153,538
2165	Accrued liabilities		2,548,801
2180	Due to other governments		66,693
2300	Unearned revenue		192,619
			4,385,733
	Noncurrent liabilities:		
2501	Long-term liabilities due within one year		4,572,323
2502	Long-term liabilities due in more than one year		47,517,098
2540	Net pension liability		18,517,405
			70,606,826
2000		**Total Liabilities**	74,992,559
	Deferred Inflows of Resources		
2605	Deferred inflows - pensions		1,348,318
	Net Position		
3200	Net investment in capital assets		30,756,486
	Restricted for:		
3820	Federal and state programs		2,562,724
3850	Debt service		4,660,440
3870	Campus activities		160,058
3890	Other purposes		427,466
3900	Unrestricted		24,096,871
3000		**Total Net Position**	$ 62,664,045

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2017

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues 3 Charges for Services	Program Revenues 4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position 6 Primary Gov. Governmental Activities
	Primary Government				
	Governmental Activities				
11	Instruction	$ 40,505,459	$ 922,457	$ 6,937,874	$ (32,645,128)
12	Instructional resources				
12	and media services	627,727	-	18,621	(609,106)
13	Curriculum/instructional				
13	staff development	2,409,560	-	1,801,937	(607,623)
21	Instructional leadership	2,592,286	-	970,231	(1,622,055)
23	School leadership	3,621,569	-	161,448	(3,460,121)
31	Guidance, counseling, and				
31	evaluation services	2,610,740	-	734,177	(1,876,563)
32	Social work services	167,275	-	115,148	(52,127)
33	Health services	710,687	-	247,188	(463,499)
34	Student (pupil) transportation	3,207,484	-	82,758	(3,124,726)
35	Food services	5,785,165	1,575,206	4,285,435	75,476
36	Extracurricular activities	2,229,234	-	68,017	(2,161,217)
41	General administration	2,411,647	-	72,490	(2,339,157)
51	Plant maintenance and operations	7,642,998	-	436,457	(7,206,541)
52	Security and monitoring services	691,865	-	18,362	(673,503)
53	Data processing services	1,607,832	-	33,012	(1,574,820)
61	Community services	306,600	-	142,230	(164,370)
72	Debt service - interest	1,639,051	-	-	(1,639,051)
81	Facilities acquisition and construction	7,522,887	-	11,024	(7,511,863)
91	Contracted instructional services				
91	between public schools	19,139,263	-	-	(19,139,263)
93	Payments to shared services agreements	1,456,965	-	-	(1,456,965)
99	Other intergovernmental charges	587,854	-	-	(587,854)
	Total Governmental Activities	$ 107,474,148	$ 2,497,663	$ 16,136,409	(88,840,076)
TP	**Total Primary Government**	$ 107,474,148	$ 2,497,663	$ 16,136,409	(88,840,076)
		General Revenues			
MT		Property taxes, levied for general purposes			72,082,186
DT		Property taxes, levied for debt service			6,431,365
SF		State aid - formula grants			5,930,336
GC		Grants and contributions not restricted			
GC		for specific program			1,698,518
IE		Investment earnings			160,604
MI		Miscellaneous local and intermediate revenue			972,429
TR				**Total General Revenues**	87,275,438
CN				**Change in Net Position**	(1,564,638)
NB		Beginning net position			64,228,683
NE				**Ending Net Position**	$ 62,664,045

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2017

Data Control Codes		10 General	20 Hurricane Ike Disaster Reimbursement	50 Debt Service	Other Governmental Funds
	Assets				
1110	Cash and cash equivalents	$ 14,480,940	$ -	$ 4,660,440	$ 4,601,812
1220	Taxes receivables	3,629,500	-	369,020	-
1230	Allowance for uncollectible taxes	(445,382)	-	(53,659)	-
1240	Due from other governments	620,301	17,476,485	-	1,839,304
1260	Due from other funds	19,693,861	-	-	16
1290	Other receivables	42,805	-	-	16,537
1300	Inventories	55,336	-	-	142,775
1410	Prepaid items	1,116,028	-	-	-
1000	**Total Assets**	$ 39,193,389	$ 17,476,485	$ 4,975,801	$ 6,600,444
	Liabilities				
2110	Accounts payable	$ 498,997	$ -	$ -	$ 731,310
2150	Payroll deductions payable	153,538	-	-	-
2160	Accrued wages payable	2,382,685	-	-	166,116
2170	Due to other funds	16	17,476,485	-	2,217,376
2180	Due to other governments	66,693	-	-	-
2300	Unearned revenue	-	-	-	192,619
2000	**Total Liabilities**	3,101,929	17,476,485	-	3,307,421
	Deferred Inflows of Resources				
2600	Unavailable revenue - property taxes	3,184,118	-	315,361	-
	Fund Balances				
	Nonspendable:				
3410	Inventories	55,336	-	-	142,775
3430	Prepaid items	1,116,028	-	-	-
	Restricted:				
3450	Federal/state funds grant restrictions	-	-	-	2,562,724
3480	Debt service	-	-	4,660,440	-
3490	Other restrictions	-	-	-	587,524
	Committed:				
3510	Disaster remediation/capital outlay	9,092,505	-	-	-
3600	Unassigned	22,643,473	-	-	-
3000	**Total Fund Balances**	32,907,342	-	4,660,440	3,293,023
4000	**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**	$ 39,193,389	$ 17,476,485	$ 4,975,801	$ 6,600,444

See Notes to Financial Statements.

98 Total Governmental Funds
$ 23,743,192
3,998,520
(499,041)
19,936,090
19,693,877
59,342
198,111
1,116,028
$ 68,246,119
$ 1,230,307
153,538
2,548,801
19,693,877
66,693
192,619
23,885,835
3,499,479
198,111
1,116,028
2,562,724
4,660,440
587,524
9,092,505
22,643,473
40,860,805
$ 68,246,119

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GALVESTON
INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R

August 31, 2017

Total fund balances for governmental funds		$	40,860,805
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 - nondepreciable	4,366,348		
Capital assets - depreciable	75,594,027		
			79,960,375
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			3,499,479
The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.			559,136
Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.			
Accrued interest	(145,645)		
Deferred charge on refunding	1,954,639		
Deferred outflows - pensions	7,930,400		
Deferred inflows - pensions	(1,348,318)		
Net pension liability	(18,517,405)		
Noncurrent liabilities due in one year	(4,572,323)		
Noncurrent liabilities due in more than one year	(47,517,098)		
			(62,215,750)
Net Position of Governmental Activities		$	62,664,045

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, 2017

Data Control Codes		10 General	20 Hurricane Ike Disaster Reimbursement	50 Debt Service	Other Governmental Funds
	Revenues				
5700	Local, intermediate, and out-of-state	$ 72,517,431	$ -	$ 6,455,374	$ 2,697,988
5800	State program revenues	5,930,336	-	102,783	724,583
5900	Federal program revenues	1,698,518	-	-	12,825,633
5020	**Total Revenues**	80,146,285	-	6,558,157	16,248,204
	Expenditures				
0011	Instruction	31,699,886	-	-	6,032,325
0012	Instructional resources and media services	556,344	-	-	41,888
0013	Curriculum and instructional staff development	570,696	-	-	1,754,471
0021	Instructional leadership	1,467,375	-	-	938,098
0023	School leadership	3,370,694	-	-	8,345
0031	Guidance, counseling, and evaluation services	1,821,276	-	-	639,522
0032	Social work services	48,651	-	-	109,200
0033	Health services	455,644	-	-	233,740
0034	Student (pupil) transportation	2,868,531	-	-	-
0035	Food services	-	-	-	5,484,120
0036	Extracurricular activities	1,983,273	-	-	129,068
0041	General administration	2,196,718	-	-	113,786
0051	Plant maintenance and operations	7,122,710	-	-	330,194
0052	Security and monitoring services	660,855	-	-	-
0053	Data processing services	1,575,296	-	-	167
0061	Community services	158,329	-	-	131,885
	Debt service:				
0071	Principal	-	-	4,370,000	-
0072	Interest	-	-	1,867,488	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	907,495	-	1,182,290
	Intergovernmental:				
0091	Contracted instructional services				
0091	between public schools	19,139,263	-	-	-
0093	Payments to shared services arrangements	1,456,965	-	-	-
0099	Other governmental charges	587,854	-	-	-
6030	**Total Expenditures**	77,740,360	907,495	6,237,488	17,129,099
1100	**Excess (Deficiency) of Revenues**				
1100	**Over (Under) Expenditures**	2,405,925	(907,495)	320,669	(880,895)
	Other Financing Sources (Uses)				
7915	Transfers in	1,659	907,495	-	205,717
8911	Transfers (out)	(1,113,006)	-	-	(1,865)
7080	**Total Other Financing Sources (Uses)**	(1,111,347)	907,495	-	203,852
1200	**Net Change in Fund Balances**	1,294,578	-	320,669	(677,043)
0100	Beginning fund balances	31,612,764	-	4,339,771	3,970,066
3000	**Ending Fund Balances**	$ 32,907,342	$ -	$ 4,660,440	$ 3,293,023

See Notes to Financial Statements.

98 Total Governmental Funds
$ 81,670,793
6,757,702
14,524,151
102,952,646
37,732,211
598,232
2,325,167
2,405,473
3,379,039
2,460,798
157,851
689,384
2,868,531
5,484,120
2,112,341
2,310,504
7,452,904
660,855
1,575,463
290,214
4,370,000
1,867,488
2,089,785
19,139,263
1,456,965
587,854
102,014,442
938,204
1,114,871
(1,114,871)
-
938,204
39,922,601
$ 40,860,805

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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, 2017

Net change in fund balances - total governmental funds	$	938,204
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		(6,294,702)
Capital outlay		607,079
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		370,671
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 debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.		
Principal repayments		4,370,000
Accrued interest		12,907
Amortization of loss on bond refunding		(280,415)
Amortization of premiums		531,688
Accreted interest		(35,743)
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		(18,460)
Change in net pension liability		127,463
Change in deferred outflows - pensions		(3,608,926)
Change in deferred inflows - pensions		1,970,884
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.		(255,288)
Change in Net Position of Governmental Activities	$	(1,564,638)

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - EXHIBIT D-1
August 31, 2017

Data Control Codes		Internal Service
	Assets	
1110	Cash and cash equivalents	$ 607,266
1000	**Total Assets**	607,266
	Liabilities	
2110	Accounts payable	48,130
2000	**Total Liabilities**	48,130
	Net Position	
3900	Unrestricted net position	559,136
4000	**Total Net Position**	$ 559,136

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, 2017

Data Control Dates			Internal Service
	Operating Revenues		
5700	Local and intermediate sources		$ 427,637
5020		**Total Operating Revenues**	427,637
	Operating Expenses		
6200	Professional and contracted services		682,925
6030		**Total Operating Expenses**	682,925
		Operating (Loss)	(255,288)
	Nonoperating Revenues (Expenses)		
7915	Transfers in		76,000
8911	Transfers out		(76,000)
		Total Nonoperating Revenues (Expenses)	-
1200		**Change in Net Position**	(255,288)
0100	Beginning net position		814,424
3000		**Ending Net Position**	$ 559,136

See Notes to Financial Statements.

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GALVESTON
INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS - EXHIBIT D-3

For the Year Ended August 31, 2017

	Internal Service
Cash Flows from Operating Activities	
Cash received from customers	$ 427,637
Cash payments to suppliers for goods and services	(634,795)
Net Cash (Used) by Operating Activities	(207,158)
Cash Flows from Nonoperating Activities	
Transfer in	76,000
Transfer (out)	(76,000)
Net Cash Provided (Used) by Nonoperating Activities	-
Net (Decrease) in Cash and Cash Equivalents	(207,158)
Beginning cash and cash equivalents	814,424
Ending Cash and Cash Equivalents	$ 607,266
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating (loss)	$ (255,288)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Increase (Decrease) in:	
Increase (decrease) in accounts payable	48,130
Net Cash (Used) by Operating Activities	$ (207,158)

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT E-1
August 31, 2017

	Trust	Student Activity Account
Assets		
Cash and cash equivalents	$ 113,785	$ 195,755
Restricted assets	931,209	-
Total Assets	$ 1,044,994	$ 195,755
Liabilities		
Current liabilities:		
Accounts payable	$ -	$ 4,516
Due to student groups	-	191,239
Total Liabilities	-	$ 195,755
Net Position		
Held in trust	1,044,994	
Total Liabilities and Net Position	$ 1,044,994	

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, 2017

	Trust	Student Activity Account
Additions		
Investment income	$ 60,035	$ -
Other	96,718	380,173
Total Additions	156,753	380,173
Deductions		
Operating expenses	250,000	380,173
Total Deductions	250,000	380,173
Changes in Net Position	(93,247)	-
Beginning net position	1,138,241	-
Ending Net Position	$ 1,044,994	$ -

See Notes to Financial Statements.

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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.

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 the District's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund. 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 Fund

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.

Special Revenue Funds

The special revenue funds are used to account for and report 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 Funds

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 internal service fund activity are accounted for through proprietary funds. The measurement 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.

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

Internal Service Funds

These funds are used to account for and report 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, 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 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.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposits, are reported at cost.

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 acquisition 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.

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	10 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 six 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, for the changes in actuarial assumptions, and 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. These amounts are deferred and amortized over the average of the expected service lives of pension plan members. Deferred outflows of resources are also 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. 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 three items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience, for the changes in actuarial assumptions, and 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. These amounts are 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.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net 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 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, 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.

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.

A. Deficit Net Position

At August 31, 2017, the Care Here fund, a nonmajor internal service fund, had a deficit net position of $21,483. This deficit will be eliminated as resources are obtained by transfers from other funds.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of August 31, 2017, the District had the following investments in external investment pools:

Investments	Maturity		Amount	Weighted Average Maturity (Years)
MBIA - Texas CLASS Investment Pool General Fund	N/A	$	5,890,105	0.00
MBIA - Texas CLASS Investment Pool Debt Service Fund	N/A		1,301,999	0.00
		$	7,192,104	
Portfolio weighted average maturity				0.00

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, 2017, 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 $7,192,104 invested in the Cooperative Liquid Assets Securities System-Texas (CLASS) Investment Pool.

Texas CLASS is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an Amended and Restated Trust Agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as Program Administrator and Wells Fargo Bank Texas, NA as Custodian. CLASS is not registered with the Securities Exchange Commission 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 Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for Texas CLASS may be obtained from CLASS' website at www.texasclass.com.

Texas CLASS uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in Texas CLASS is the same as the value of Texas CLASS shares.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. *72, Fair Value Measurement and Application*, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

At August 31, 2017, the District had the following recurring fair value measurements:

Description	8/31/17	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Money market mutual funds	$ 404,440	$ 404,440	$ -	$ -
Total	$ 404,440	$ 404,440	$ -	$ -

Money market mutual funds are classified in Level 1 of the fair value hierarchy and are valued using the market approach.

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	4,366,348	-	-	4,366,348
Other capital assets:				
Buildings and improvements	160,891,391	-	-	160,891,391
Furniture and equipment	9,762,104	347,130	-	10,109,234
Vehicles	5,245,938	259,949	-	5,505,887
Total Other Capital Assets	175,899,433	607,079	-	176,506,512
Less accumulated depreciation for:				
Buildings and improvements	(83,743,009)	(5,340,019)	-	(89,083,028)
Furniture and equipment	(7,812,283)	(541,236)	-	(8,353,519)
Vehicles	(3,062,491)	(413,447)	-	(3,475,938)
Total Accumulated Depreciation	(94,617,783)	(6,294,702)	-	(100,912,485)
Other capital assets, net	81,281,650	(5,687,623)	-	75,594,027
Governmental Activities Capital Assets, Net	$ 85,647,998	$ (5,687,623)	$ -	79,960,375
			Less associated debt	(51,158,528)
			Plus deferred charge on refunding	1,954,639
			Net Investment in Capital Assets	$ 30,756,486

Depreciation was charged to governmental functions as follows:

		Governmental Activities
11	Instruction	$ 205,976
34	Student transportation	366,908
35	Food services	166,594
36	Extracurricular activities	9,149
41	General administration	362
51	Plant maintenance and operations	82,471
52	Security and monitoring services	1,922
53	Data processing services	28,218
81	Facilities acquisition and construction	5,433,102
	Total Depreciation Expense	$ 6,294,702

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 payable:					
Series 2008 4.00%	$ 2,605,000	$ -	$ (1,275,000)	$ 1,330,000	$ 1,330,000
Series 2011 2.00 - 3.00%	8,169,998	-	(100,000)	8,069,998	100,000
Series 2012 2.00 - 4.00%	7,895,000	-	(2,995,000)	4,900,000	3,080,000
Series 2013 2.00 - 5.00%	32,710,000	-	-	32,710,000	-
	51,379,998	-	(4,370,000)	47,009,998 *	4,510,000
Other liabilities:					
Compensated absences	50,788	64,169	(45,709)	69,248	62,323
Unamortized premium	4,680,218	-	(531,688)	4,148,530 *	-
Accreted interest	825,902	35,743		861,645	-
Net pension liability	18,644,868	-	(127,463)	18,517,405	-
Total Governmental Activities	$ 75,581,774	$ 99,912	$ (5,074,860)	$ 70,606,826	$ 4,572,323
			Long-term liabilities due in more than one year	$ 66,034,503	
			***Debt associated with capital assets**	$ 51,158,528	

**Beginning balances have been adjusted.

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

Year Ended Aug 31	Principal	Interest	Total Requirements
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	3,580,000	1,417,700	4,997,700
2022	3,690,000	1,308,650	4,998,650
2023-2027	20,325,000	3,847,950	24,172,950
2028-2029	9,390,000	283,800	9,673,800
Total	$ 47,009,998	$ 12,628,264	$ 59,638,262

D. Commitments Under Noncapitalized Leases

During the year, the District expended a total of $30,065 for operating (noncapitalized) leases and, in accordance with standard nonappropriation clauses in the various lease agreements, the District has no future obligation in relation to these leases.

E. Interfund Transactions

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

	Due From Other Funds
General fund	
Hurricane Ike fund	$ 17,476,485
Other governmental funds	2,217,376
Total General Fund	19,693,861
Other governmental funds	
General	16
Total Other Governmental Funds	16
Total	$ 19,693,877

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year, with an exception related to the balance for the Hurricane Ike fund. This interfund balance will be repaid when the District receives its final settle-up payments from the Federal Emergency Management Agency (FEMA).

Transfers In	Transfers Out	Amount
Hurricane Ike Disaster Reimbursement	General fund	$ 907,495
Other governmental funds	General fund	205,511
General fund	Other governmental funds	1,659
Other governmental funds	Other governmental funds	206
	Total	$ 1,114,871

Amounts transferred between funds are mostly related to the funding of certain repair and maintenance projects, as well as projects related to career tech renovations fund.

F. Leases

The District is the lessor of approximately four acres of its property to Moody Early Childhood Center, a nonprofit corporation (the "Corporation"). This lease agreement (the "Lease") is an operating lease with estimated minimum rental payments with annually adjusted rates. The terms of the Lease state that for the first two years of the Lease term, the Corporation will pay the District an amount equal to 50 percent of the total amount of salary and benefits paid to, or provided by, the District to certain teachers and teachers' aides who provide services for the Corporation. For the third, fourth, and fifth years of the Lease term, the Corporation will pay the District an amount equal to the total amount of salary and benefits paid to, or provided by, the District to certain teachers and teachers' aides who provide services for the Corporation. The annual payments will be finalized by the District and provided to the Corporation no later than July 1 of the applicable year. The Lease term commenced on July 1, 2016 and will terminate on June 30, 2021; however, the District may terminate the Lease by giving the Corporation a minimum of 12 months written notice. Rental income is earned from leasing this property to the Corporation. Minimum guaranteed income of all District noncancelable operating leases is as follows:

Year Ended August 31	Annual Base Rent Estimate
2018	$ 385,000
2019	770,000
2020	770,000
2021	770,000
Total	$ 2,695,000

G. Restatement of Net Position/Fund Balance

The beginning net position for governmental activities and beginning fund balance for the general fund was restated to account for changes in system-generated payroll liability balances that were overstated in prior years. The beginning net position/fund balance was restated as follows:

	Governmental Activities	General Fund
Beginning net position/fund balance - as reported	$ 63,341,008	$ 30,725,089
Restatement - payroll liabilities - health insurance	513,661	513,661
Restatement - payroll liabilities - workers' comp	374,014	374,014
Beginning net position/fund balance - restated	$ 64,228,683	$ 31,612,764

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.

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 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.

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). It is a defined benefit pension plan 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 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% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule.

There are no automatic post-employment benefit changes, including automatic 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 the Plan Description above.

Contributions

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

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

Contribution Rates	**2016**	**2017**
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 Employer Contributions	$1,556,941	
2017 Member Contributions	$1,442,479	
2017 NECE On-behalf Contributions	$2,099,511	

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% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2016
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.0%
Long-term expected investment rate of return	8.0%
Inflation	2.5%
Salary increases including inflation	3.5% to 9.5%
Payroll growth rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

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

Best estimates of geometric real rates of return for each major asset class included in the system's target asset allocation as of August 31, 2016 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2016

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation-Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%		2.2%
Alpha	0.0%		1.0%
Total	100.0%		8.7%

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the net pension liability.

	1% Decrease in Discount Rate (7%)	Current Discount Rate (8%)	1% Increase in Discount Rate (9%)
District's proportionate share of the net pension liability	$ 28,658,706	$ 18,517,405	$ 9,915,533

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

At August 31, 2017, the District reported a liability of $18,517,405 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		$ 18,517,405
State's proportionate share that is associated with the District		24,920,877
	Total	$ 43,438,282

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016, the District's proportion of the collective net pension liability was 0.0490027%, which was a decrease of 0.0037429% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2017, the District recognized pension expense of $1,510,580 and revenue of $2,586,193 for support provided by the State.

At August 31, 2017, 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	$ 290,349	$ 552,919
Changes in actuarial assumptions	564,377	513,278
Difference between projected and actual investment earnings	1,568,015	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,008,308	282,121
Contributions paid to TRS subsequent to the measurement date	1,499,351	-
Total	$ 7,930,400	$ 1,348,318

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
2018	$ 913,965
2019	913,965
2020	1,914,122
2021	837,121
2022	520,230
Thereafter	(16,672)
Total	$ 5,082,731

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 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 school employee contribution rates were 1.00 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 2017, 2016, and 2015. 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, 2017, 2016, and 2015, the State's contributions to TRS-Care were $22,209, $31,356, and $33,940, respectively; the active member contributions were $283,049, $284,621, and $275,075, respectively; and the District's contributions were $239,503, $240,833, and $232,755, 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, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were $127,872, $169,015, and $173,279, respectively.

E. Employee Health Care Coverage

During the year ended August 31, 2017, 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, 2017 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation Insurance

During the year ended August 31, 2017, 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. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor 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.

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 $2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2016, the Fund carries a discounted reserve of $51,843,324 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2017, 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, 2016 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, 2017, the District met its statutory unemployment compensation obligations by participating as a self-funded member of 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, and Chapter 504 of the Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, the District is solely responsible for all unemployment compensation claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service.

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, 2016 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

H. Shared Services Arrangements

The District is the fiscal agent for two shared services 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.

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		
Hitchcock ISD	$	5,960
Texas City ISD		13,003
Dickinson ISD		7,044
Galveston ISD		13,003
Friendswood ISD		15,171
Total	$	54,181

Supplemental Visually Impaired for Special Education - Fund 434		
Member Districts		
Hitchcock ISD	$	10,552
Texas City ISD		22,276
Dickinson ISD		12,897
Galveston ISD		22,275
Friendswood ISD		26,966
Clear Creek ISD		22,276
Total	$	117,242

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 received approximately $8,400,000 in insurance proceeds. The Federal Emergency Management Agency (FEMA) has already paid the District approximately $17,750,000 under various grant programs and another $17,476,485 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.

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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, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance With Final Budget
	Revenues				
5700	Local and intermediate sources	$ 72,114,645	$ 72,114,645	$ 72,517,431	$ 402,786
5800	State program revenues	5,668,420	5,668,420	5,930,336	261,916
5900	Federal program revenues	1,290,000	1,290,000	1,698,518	408,518
5020	**Total Revenues**	79,073,065	79,073,065	80,146,285	1,073,220
	Expenditures				
0011	Instruction	31,257,051	31,856,902	31,699,886	157,016
0012	Instructional resources and media services	595,805	570,805	556,344	14,461
0013	Curriculum/instructional staff development	596,834	572,587	570,696	1,891
0021	Instructional leadership	1,767,479	1,468,127	1,467,375	752
0023	School leadership	3,446,328	3,394,164	3,370,694	23,470
0031	Guidance, counseling, and evaluation services	1,745,630	1,900,629	1,821,276	79,353
0032	Social work services	149,221	49,221	48,651	570
0033	Health services	482,673	466,244	455,644	10,600
0034	Student (pupil) transportation	2,564,969	3,118,578	2,868,531	250,047
0036	Extracurricular activities	1,860,094	1,990,094	1,983,273	6,821
0041	General administration	2,350,852	2,249,009	2,196,718	52,291
0051	Plant maintenance and operations	8,278,842	7,905,260	7,122,710	782,550
0052	Security and monitoring services	713,197	693,040	660,855	32,185
0053	Data processing services	1,554,103	1,650,613	1,575,296	75,317
0061	Community services	200,151	160,151	158,329	1,822
	Intergovernmental:				
0091	Contracted instructional services	20,453,570	19,769,894	19,139,263	630,631
0093	Payments to shared services arrangements	1,717,780	1,467,780	1,456,965	10,815
0099	Other governmental charges	595,308	595,308	587,854	7,454
6030	**Total Expenditures**	80,329,887	79,878,406	77,740,360	2,138,046
1100	**Excess (Deficiency) of Revenues Over (Under) Expenditures**	(1,256,822)	(805,341)	2,405,925	3,211,266
	Other Financing Sources (Uses)				
7912	Sale of real and personal property	-	-	1,659	1,659
8911	Transfers (out)	-	(1,113,212)	(1,113,006)	206
7080	**Total Other Financing (Uses)**	-	(1,113,212)	(1,111,347)	1,865
1200	**Net Change in Fund Balance**	(1,256,822)	(1,918,553)	1,294,578	3,213,131
0100	Beginning fund balance	31,612,764	31,612,764	31,612,764	-
3000	**Ending Fund Balance**	$ 30,355,942	$ 29,694,211	$ 32,907,342	$ 3,213,131

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, 2017

	Measurement Year*		
	2016	**2015**	**2014**
District's proportion of the net pension liability (asset)	0.0490027%	0.0527456%	0.0316100%
District's proportionate share of the net pension liability (asset)	$ 18,517,405	$ 18,644,868	$ 8,444,136
State's proportionate share of the net pension liability (asset)	24,920,877	23,289,869	18,734,703
Total	$ 43,438,282	$ 41,934,737	$ 27,178,839
District's covered employee payroll**	$ 43,787,789	$ 42,319,177	$ 36,658,444
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	42.29%	44.06%	23.03%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

* Only three years' worth of information is currently available.
** As of the measurement date.

Notes to Required Supplementary Information:

Changes in Assumptions: There were no changes in assumptions or other inputs that affected measurement of the total net pension liability since the prior 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 DISTRICT CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3

For the Year Ended August 31, 2017

	Fiscal Year*			
	2017	**2016**	**2015**	**2014**
Contractually required contribution	$ 1,499,351	$ 1,556,573	$ 1,561,821	$ 801,464
Contributions in relations to the contractually required contribution	1,499,351	1,556,573	1,561,821	801,464
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered employee payroll	$ 43,545,952	$ 43,787,789	$ 42,319,177	$ 36,658,444
Contributions as a percentage of covered employee payroll	3.44%	3.55%	3.69%	2.19%

* Only four 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, 2017

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
	Assets				
1110	Cash and cash equivalents	$ -	$ -	$ -	$ -
1240	Due from other govermnents	68,443	277,846	685,908	45,199
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	**Total Assets**	$ 68,443	$ 277,846	$ 685,908	$ 45,199
	Liabilities				
2110	Accounts payable	$ 3,108	$ 31,574	$ 141,301	$ -
2160	Accrued wages payable	-	43,159	72,536	-
2170	Due to other funds	65,335	203,113	472,071	45,199
2300	Unearned revenue	-	-	-	-
2000	**Total Liabilities**	68,443	277,846	685,908	45,199
	Fund Balances				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/state fund grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3000	**Total Fund Balances**	-	-	-	-
4000	**Total Liabilities and Fund Balances**	$ 68,443	$ 277,846	$ 685,908	$ 45,199

Special Revenue Funds					
240	244	255	263	277	280
National School Breakfast and Lunch Program	Career and Technical Basic	ESEA Title II Part A Training	Title III ELA	Youth Career Connect	Teacher Incentive
$ 3,326,808	$ -	$ -	$ -	$ -	$ 779
-	18,358	27,593	19,285	218,445	-
16	-	-	-	-	-
-	-	-	-	-	-
142,775	-	-	-	-	-
$ 3,469,599	$ 18,358	$ 27,593	$ 19,285	$ 218,445	$ 779
$ 308,676	$ 2,836	$ 10,296	$ -	$ 13,581	$ -
45,616	-	-	-	-	-
430,070	15,522	17,297	19,285	204,864	779
-	-	-	-	-	-
784,362	18,358	27,593	19,285	218,445	779
142,775	-	-	-	-	-
2,542,462	-	-	-	-	-
-	-	-	-	-	-
2,685,237	-	-	-	-	-
$ 3,469,599	$ 18,358	$ 27,593	$ 19,285	$ 218,445	$ 779

GALVESTON
INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 3)

August 31, 2017

Data Control Codes		Special Revenue Funds 288 Literacy Through School Libraries	289 LEP Summer School	397 Advanced Placement Incentives	404 Student Success Initiative
	Assets				
1110	Cash and cash equivalents	$ 314,353	$ -	$ 12,584	$ 260
1240	Due from other govermnents	248,187	-	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	**Total Assets**	$ 562,540	$ -	$ 12,584	$ 260
	Liabilities				
2110	Accounts payable	$ 105,000	$ -	$ -	$ -
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	457,540	-	-	260
2300	Unearned revenue	-	-	-	-
2000	**Total Liabilities**	562,540	-	-	260
	Fund Balances				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/state fund grant restrictions	-	-	12,584	-
3490	Other restrictions of fund balance	-	-	-	-
3000	**Total Fund Balances**	-	-	12,584	-
4000	**Total Liabilities and Fund Balances**	$ 562,540	$ -	$ 12,584	$ 260

Special Revenue Funds					
410	427	428	429	434	446
State Textbook	State Funded Special Revenue	High School Allotment	Miscellaneous State Special Revenue Program	Supplemental Visually Impaired	Shared Services Locally Defined
$ 218,686	$ 7,387	$ -	$ 2,800	$ 92,585	$ 2
-	-	70,775	-	75,782	83,483
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 218,686	$ 7,387	$ 70,775	$ 2,800	$ 168,367	$ 83,485
$ 35,662	$ -	$ 58,697	$ -	$ -	$ -
-	-	-	-	4,805	-
-	-	12,078	2,509	163,562	83,485
183,024	-	-	-	-	-
218,686	-	70,775	2,509	168,367	83,485
-	-	-	-	-	-
-	7,387	-	291	-	-
-	-	-	-	-	-
-	7,387	-	291	-	-
$ 218,686	$ 7,387	$ 70,775	$ 2,800	$ 168,367	$ 83,485

GALVESTON
INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 3 of 3)

August 31, 2017

		Special Revenue Funds			
		461	480	482	484
Data Control Codes		Campus Activity	BHS Booster Club Donations	Galveston Permanent Endowment	Galveston Educational Foundation
	Assets				
1110	Cash and cash equivalents	$ 183,852	$ 137,336	$ 12,301	$ -
1240	Due from other govermnents	-	-	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	16,537
1300	Inventories	-	-	-	-
1000	**Total Assets**	$ 183,852	$ 137,336	$ 12,301	$ 16,537
	Liabilities				
2110	Accounts payable	$ 5,744	$ -	$ 410	$ 353
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	18,050	-	-	6,357
2300	Unearned revenue	-	-	-	9,595
2000	**Total Liabilities**	23,794	-	410	16,305
	Fund Balances				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/state fund grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	160,058	137,336	11,891	232
3000	**Total Fund Balances**	160,058	137,336	11,891	232
4000	**Total Liabilities and Fund Balances**	$ 183,852	$ 137,336	$ 12,301	$ 16,537

Special Revenue Funds		Capital Projects Funds		
486	499	679	699	
Miscellaneous Donations	Other Special Revenue	Career Tech Renovations	Capital Projects	Total Nonmajor Governmental Funds
$ 73,505	$ 12,857	$ 205,717	$ -	$ 4,601,812
-	-	-	-	1,839,304
-	-	-	-	16
-	-	-	-	16,537
-	-	-	-	142,775
$ 73,505	$ 12,857	$ 205,717	$ -	$ 6,600,444
$ 3,887	$ -	$ 10,185	$ -	$ 731,310
-	-	-	-	166,116
-	-	-	-	2,217,376
-	-	-	-	192,619
3,887	-	10,185	-	3,307,421
-	-	-	-	142,775
-	-	-	-	2,562,724
69,618	12,857	195,532	-	587,524
69,618	12,857	195,532	-	3,293,023
$ 73,505	$ 12,857	$ 205,717	$ -	$ 6,600,444

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, 2017

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
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	60,385	2,457,222	1,700,610	70,138
5020	**Total Revenues**	60,385	2,457,222	1,700,610	70,138
	Expenditures				
	Current:				
0011	Instruction	-	1,289,660	1,277,257	70,138
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum/instructional staff development	-	602,496	6,267	-
0021	Instructional leadership	-	216,922	7,261	-
0023	School leadership	-	5,009	-	-
0031	Guidance, counseling, and evaluation services	-	-	409,825	-
0032	Social work services	-	109,200	-	-
0033	Health services	-	233,740	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	167	-	-
0061	Community services	60,385	28	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	-	-
6030	**Total Expenditures**	60,385	2,457,222	1,700,610	70,138
	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
	Other Financing Sources (Uses)				
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	-	-
	Total Other Financing Sources (Uses)	-	-	-	-
1200	**Net Change in Fund Balances**	-	-	-	-
0100	Beginning fund balances	-	-	-	-
3000	**Ending Fund Balances**	$ -	$ -	$ -	$ -

Special Revenue Funds					
240	244	255	263	277	280
National School Breakfast and Lunch Program	Career and Technical Basic	ESEA Title II Part A Training	Title III ELA	Youth Career Connect	Teacher Incentive
$ 1,575,206	$ -	$ -	$ -	$ -	$ -
22,255	-	-	-	-	-
4,378,432	73,829	547,147	124,173	1,036,202	656,176
5,975,893	73,829	547,147	124,173	1,036,202	656,176
-	40,214	244,028	27,769	654,279	377,475
-	-	-	-	-	-
-	921	296,324	95,604	12,216	256,962
-	-	-	800	158,344	21,739
-	3,336	-	-	-	-
-	29,358	-	-	200,339	-
-	-	-	-	-	-
-	-	-	-	-	-
5,484,120	-	-	-	-	-
-	-	-	-	-	-
-	-	6,795	-	-	-
330,194	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	11,024	-
5,814,314	73,829	547,147	124,173	1,036,202	656,176
161,579	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
161,579	-	-	-	-	-
2,523,658	-	-	-	-	-
$ 2,685,237	$ -	$ -	$ -	$ -	$ -

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, 2017

Data Control Codes		Special Revenue Funds 288 Literacy Through School Libraries	289 LEP Summer School	397 Advanced Placement Incentives	404 Student Success Initiative
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	4,500	-
5900	Federal program revenues	1,716,659	4,660	-	-
5020	**Total Revenues**	1,716,659	4,660	4,500	-
	Expenditures				
	Current:				
0011	Instruction	720,148	4,660	261	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum/instructional staff development	477,871	-	-	-
0021	Instructional leadership	447,168	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	71,472	-	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	-	-
6030	**Total Expenditures**	1,716,659	4,660	261	-
	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	4,239	-
	Other Financing Sources (Uses)				
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	-	-
	Total Other Financing Sources (Uses)	-	-	-	-
1200	**Net Change in Fund Balances**	-	-	4,239	-
0100	Beginning fund balances	-	-	8,345	-
3000	**Ending Fund Balances**	$ -	$ -	$ 12,584	$ -

Special Revenue Funds					
410	427	428	429	434	446
State Textbook	State Funded Special Revenue	High School Allotment	Miscellaneous State Special Revenue Program	Supplemental Visually Impaired	Shared Services Locally Defined
$ -	$ -	$ -	$ -	$ 117,242	$ 54,181
472,826	-	168,271	18,859	6,564	3,288
-	-	-	-	-	-
472,826	-	168,271	18,859	123,806	57,469
472,826	-	168,271	18,568	123,806	57,469
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
472,826	-	168,271	18,568	123,806	57,469
-	-	-	291	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	291	-	-
-	7,387	-	-	-	-
$ -	$ 7,387	$ -	$ 291	$ -	$ -

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, 2017

Data Control Codes		Special Revenue Funds 461 Campus Activity	480 BHS Booster Club Donations	482 Galveston Permanent Endowment	484 Galveston Educational Foundation
	Revenues				
5700	Local, intermediate, and out-of-state	$ 200,325	$ 130,000	$ 340,003	$ 279,631
5800	State program revenues	-	8,259	14,148	5,551
5900	Federal program revenues	-	-	-	-
5020	**Total Revenues**	200,325	138,259	354,151	285,182
	Expenditures				
	Current:				
0011	Instruction	40,583	8,896	259,840	175,116
0012	Instructional resources and media services	41,888	-	-	-
0013	Curriculum/instructional staff development	-	-	-	-
0021	Instructional leadership	-	-	82,420	3,444
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	128,109	-	-	-
0041	General administration	369	-	-	106,622
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	-	-
6030	**Total Expenditures**	210,949	8,896	342,260	285,182
	Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,624)	129,363	11,891	-
	Other Financing Sources (Uses)				
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	-	-
	Total Other Financing Sources (Uses)	-	-	-	-
1200	**Net Change in Fund Balances**	(10,624)	129,363	11,891	-
0100	Beginning fund balances	170,682	7,973	-	232
3000	**Ending Fund Balances**	$ 160,058	$ 137,336	$ 11,891	$ 232

Special Revenue Funds 486 Miscellaneous Donations	Special Revenue Funds 499 Other Special Revenue	Capital Projects Funds 679 Career Tech Renovations	Capital Projects Funds 699 Capital Projects	Total Nonmajor Governmental Funds
$ 1,400	$ -	$ -	$ -	$ 2,697,988
62	-	-	-	724,583
-	-	-	-	12,825,633
1,462	-	-	-	16,248,204
735	326	-	-	6,032,325
-	-	-	-	41,888
5,810	-	-	-	1,754,471
-	-	-	-	938,098
-	-	-	-	8,345
-	-	-	-	639,522
-	-	-	-	109,200
-	-	-	-	233,740
-	-	-	-	5,484,120
959	-	-	-	129,068
-	-	-	-	113,786
-	-	-	-	330,194
-	-	-	-	167
-	-	-	-	131,885
-	-	10,185	1,161,081	1,182,290
7,504	326	10,185	1,161,081	17,129,099
(6,042)	(326)	(10,185)	(1,161,081)	(880,895)
-	-	205,717	-	205,717
-	-	-	(1,865)	(1,865)
-	-	205,717	(1,865)	203,852
(6,042)	(326)	195,532	(1,162,946)	(677,043)
75,660	13,183	-	1,162,946	3,970,066
$ 69,618	$ 12,857	$ 195,532	$ -	$ 3,293,023

GALVESTON
INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS - EXHIBIT H-3
August 31, 2017

Data Control Codes		748 Concession	771 Workers' Compensation Insurance	772 Care Here	773 Flex Spending
	Assets				
1110	Cash and cash equivalents	$ 20,572	$ 559,040	$ 26,647	$ 1,007
1000	**Total Assets**	20,572	559,040	26,647	1,007
	Liabilities				
2110	Accounts payable	-	-	48,130	-
2000	**Total Liabilities**	-	-	48,130	-
	Net Position				
3900	Unrestricted	20,572	559,040	(21,483)	1,007
4000	**Total Net Position**	$ 20,572	$ 559,040	$ (21,483)	$ 1,007

Total Internal Service Funds
$ 607,266
607,266
48,130
48,130
559,136
$ 559,136

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, 2017

Data Control Dates		748 Concession	771 Workers' Compensation Insurance	772 Care Here	773 Flex Spending
	Operating Revenues				
5700	Local and intermediate sources	$ -	$ 13,733	$ 413,636	$ 268
5020	**Total Operating Revenues**	-	13,733	413,636	268
	Operating Expenses				
6200	Professional and contracted services	-	101,658	581,267	-
6030	**Total Expenses**	-	101,658	581,267	-
	Operating Income (Loss)	-	(87,925)	(167,631)	268
	Nonoperating Revenues (Expenses)				
7915	Transfers in	-	-	76,000	-
8911	Transfers out	-	-	-	(76,000)
	Total Nonoperating Revenues (Expenses)	-	-	76,000	(76,000)
1200	**Change in Net Position**	-	(87,925)	(91,631)	(75,732)
0100	Beginning net position	20,572	646,965	70,148	76,739
3000	**Ending Net Position**	$ 20,572	$ 559,040	$ (21,483)	$ 1,007

Total Internal Service Funds
$ 427,637
427,637
682,925
682,925
(255,288)
76,000
(76,000)
-
(255,288)
814,424
$ 559,136

GALVESTON
INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS - EXHIBIT H-5
For the Year Ended August 31, 2017

	748 Concession	771 Workers' Compensation Insurance	772 Care Here	773 Flex Spending
Cash Flows from Operating Activities				
Cash received from customers	$ -	$ 13,733	$ 413,636	$ 268
Cash payments to suppliers for services	-	(101,658)	(533,137)	-
Net Cash Provided (Used) by Operating Activities	-	(87,925)	(119,501)	268
Cash Flows from Nonoperating Activities				
Transfer in	-	-	76,000	-
Transfer (out)	-	-	-	(76,000)
Net Cash Provided (Used) by Nonoperating Activities	-	-	76,000	(76,000)
Net (Decrease) in Cash and Cash Equivalents	-	(87,925)	(43,501)	(75,732)
Beginning cash and cash equivalents	20,572	646,965	70,148	76,739
Ending Cash and Cash Equivalents	$ 20,572	$ 559,040	$ 26,647	$ 1,007
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	$ -	$ (87,925)	$ (167,631)	$ 268
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Increase (Decrease) in:				
Increase (decrease) in accounts payable	-	-	48,130	-
Net Cash Provided (Used) by Operating Activities	$ -	$ (87,925)	$ (119,501)	$ 268

Total Internal Service Funds
$ 427,637
(634,795)
(207,158)
76,000
(76,000)
-
(207,158)
814,424
$ 607,266
$ (255,288)
48,130
$ (207,158)

GALVESTON
INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT H-6 (Page 1 of 2)
August 31, 2017

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

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
-	-	-	-	-	-
-	-	-	-	-	-
190	50,669	66	400	335	2,225
$ 190	$ 50,669	$ 66	$ 400	$ 335	$ 2,225

GALVESTON
INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - EXHIBIT H-6 (Page 2 of 2)
August 31, 2017

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

822 BHS Activity & Scholarship	826 Galveston Daily News Scholarship	827 Coastal Alternative Program	829 Ball High Booster All Sports	836 Lovenberg Maintenance	Total Trust Funds
$ -	$ 500	$ -	$ -	$ 113,285	$ 113,785
50,635	-	345,669	4,212	404,440	931,209
50,635	500	345,669	4,212	517,725	1,044,994
-	-	-	-	-	-
-	-	-	-	-	-
50,635	500	345,669	4,212	517,725	1,044,994
$ 50,635	$ 500	$ 345,669	$ 4,212	$ 517,725	$ 1,044,994

GALVESTON
INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS - EXHIBIT H-7 (Page 1 of 2)

For the Year Ended August 31, 2017

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

	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 2)
For the Year Ended August 31, 2017

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

822 BHS Activity & Scholarship	826 Galveston Daily News Scholarship	827 Coastal Alternative Program	829 Ball High Booster All Sports	836 Lovenberg Maintenance	Total Trust Funds
$ -	$ -	$ 1,987	$ -	$ 58,048	$ 60,035
-	-	-	-	96,718	96,718
-	-	1,987	-	154,766	156,753
-	-	250,000	-	-	250,000
-	-	250,000	-	-	250,000
-	-	(248,013)	-	154,766	(93,247)
50,635	500	593,682	4,212	362,959	1,138,241
$ 50,635	$ 500	$ 345,669	$ 4,212	$ 517,725	$ 1,044,994

GALVESTON
INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1

For the Year Ended August 31, 2017

	1	2	3
	Tax Rates		Net Assessed/ Appraised Value For School Tax Purposes
Last Ten Years	**Maintenance**	**Debt Service**	
2008 and prior	Various	Various	Various
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
2016	$ 1.0600	$ 0.0950	$ 6,110,222,857
2017	$ 1.0600	$ 0.0950	$ 6,744,449,177
1000 **Totals**			

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Total Collected	32 Debt Service Total Collected	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
$ 750,346	$ -	$ (20,711)	$ (3,389)	$ (176,828)	$ 597,618
173,589	-	11,130	1,338	(5,505)	155,616
129,455	-	10,858	1,305	(5,058)	112,234
155,283	-	15,230	1,830	(2,656)	135,567
162,432	-	18,721	2,250	(3,407)	138,054
235,038	-	41,553	4,995	(2,430)	186,060
297,284	-	67,669	8,133	(1,241)	220,241
529,398	-	185,357	16,612	(3,191)	324,238
1,284,343	-	610,803	54,136	(88,375)	531,029
-	77,898,388	70,024,724	6,275,801	-	1,597,863
$ 3,717,168	$ 77,898,388	$ 70,965,334	$ 6,363,011	$ (288,691)	$ 3,998,520

GALVESTON
INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2

For the Year Ended August 31, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance With Final Budget Positive (Negative)
	Revenues				
5700	Local and intermediate sources	$ 1,638,000	$ 1,638,000	$ 1,575,206	$ (62,794)
5800	State program revenues	25,000	25,000	22,255	(2,745)
5900	Federal program revenues	4,230,861	4,230,861	4,378,432	147,571
5020	**Total Revenues**	5,893,861	5,893,861	5,975,893	82,032
	Expenditures				
0035	Food service	5,528,561	5,588,561	5,484,120	104,441
0051	Plant maintenance and operations	365,300	465,300	330,194	135,106
6030	**Total Expenditures**	5,893,861	6,053,861	5,814,314	239,547
1200	**Net Change in Fund Balance**	-	(160,000)	161,579	321,579
0100	Beginning fund balance	2,523,658	2,523,658	2,523,658	-
3000	**Ending Fund Balance**	$ 2,523,658	$ 2,363,658	$ 2,685,237	$ 321,579

GALVESTON
INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND - EXHIBIT J-3

For the Year Ended August 31, 2017

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance With Final Budget Positive (Negative)
	Revenues				
5700	Local and intermediate sources	$ 5,922,595	$ 6,497,492	$ 6,455,374	$ (42,118)
5800	State program revenues	-	-	102,783	102,783
5020	**Total Revenues**	5,922,595	6,497,492	6,558,157	60,665
	Expenditures				
	Debt service:				
0071	Principal	4,370,000	4,370,000	4,370,000	-
0072	Interest	1,875,738	1,875,738	1,867,488	8,250
6030	**Total Expenditures**	6,245,738	6,245,738	6,237,488	8,250
1200	**Net Change in Fund Balance**	(323,143)	251,754	320,669	68,915
0100	Beginning fund balance	4,339,771	4,339,771	4,339,771	-
3000	**Ending Fund Balance**	$ 4,016,628	$ 4,591,525	$ 4,660,440	$ 68,915

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FEDERAL AWARDS AND OTHER COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANTS
BELT HARRIS PECHACEK
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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 15, 2018

To the Board of Trustees of
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 Galveston Independent School District (the "District"), as of and for the year ended August 31, 2017, 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 15, 2018.

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.

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Governmental Audit Quality Center
AICPA

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, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

January 15, 2018

To the Board of Trustees of
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 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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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, 2017.

Report on Internal Control Over Compliance

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

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

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

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

GALVESTON
INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended August 31, 2017

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, 2017

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 or material weaknesses 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. No significant deficiencies or material weaknesses in internal control over major federal award programs were 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:

CFDA Numbers	Name of Federal Program
84.010	ESEA, Title I
84.374	Teacher Incentive Fund
17.274	YouthBuild Grant

8. The threshold for distinguishing Type A and B programs was $750,000.

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, 2017

(1) Federal Grantor/Pass Through Grantor/Program or Cluster Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
Title I, Part A	84.010	17610101084902	$ 2,013,475
Title I, Priority and Focus	84.010	17610112084902000	488,439
Title III, Part A	84.365	17671001084902	123,531
Career and Technical, Basic Grant	84.048	17420006084902	78,829
Title II, Part A, Teacher and Principal	84.367	17694501084902	566,418
Summer School LEP	84.369	69551602	4,660
Special Education Cluster (IDEA) Cluster:			
IDEA B, Formula Grant*	84.027	176600010849026000	1,742,940
IDEA B, Preschool*	84.173	176610010849026000	77,434
Passed Through Education Service Center, Region X			
Education for Homeless Children	84.196	17-043	63,568
Direct Awards			
Teacher Incentive Fund	84.374	S374A100015	697,864
Magnet Schools Assistance	84.165	U165A130047	1,785,408
TOTAL U.S. DEPARTMENT OF EDUCATION			7,642,566
U.S. DEPARTMENT OF LABOR			
Passed Through Department of Health and Human Services			
YouthBuild Grant	17.274	YC-25406-14-60-A-48	1,060,401
TOTAL U.S. DEPARTMENT OF LABOR			1,060,401
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Health and Human Services Commission			
Medicaid Administrative Claiming Program	93.778	084-902	25,090
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			25,090

GALVESTON
INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1 (Page 2 of 2)

For the Year Ended August 31, 2017

(1) Federal Grantor/Pass Through Grantor/Program or Cluster Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education			
Child Nutrition Cluster:			
School Breakfast Program*	10.553	71401701	$ 1,012,042
National School Lunch*	10.555	71301701	2,347,052
USDA Commodities	10.565	084-902	301,534
Direct Awards			
Child and Adult Care Food Program	10.558	17460009214	416,584
Child Nutrition Cluster:			
Summer Food Service Program*	10.559	17460009214	301,221
TOTAL U.S. DEPARTMENT OF AGRICULTURE			4,378,433
U.S. DEPARTMENT OF DEFENSE			
Passed Through U.S. Army			
Junior ROTC	12.000	084-902	69,096
TOTAL U.S. DEPARTMENT OF DEFENSE			69,096
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 13,175,586

** Indicates clustered program under OMB Compliance Supplement*

The accompanying notes are an integral part of this schedule.

Federal revenue per SEFA	$ 13,175,586
SHARS	799,760
Universal E-Rate	548,805
C-2 Federal revenue	$ 14,524,151

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GALVESTON INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2017

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: INDIRECT COST RATE

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

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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, 2017

Data Control Codes		Responses
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?	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 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	$ 861,645
SF11	Net pension asset (1920) at fiscal year end	$ -
SF12	Net pension liability (2540) at fiscal year end	$ 18,517,405

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