

**GALVESTON INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL
REPORT FOR THE YEAR ENDED**

AUGUST 31, 2020

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CERTIFICATE OF BOARD

<u>Galveston Independent School District</u>	<u>Galveston</u>	<u>084-902</u>
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) X approved disapproved for the year ended August 31, 2020 at a meeting of the Board of Trustees of such school district on the 16th of December 2020.

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)

MITCHELL T. FONTENOTE

CERTIFIED PUBLIC ACCOUNTANT, INC.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Galveston Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Galveston Independent School District as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Galveston Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Galveston Independent School District, as of August 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-9 and 46, 72-73 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 Galveston Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part 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* 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 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory sections 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 December 15, 2020, on our consideration of the Galveston Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Galveston Independent School District's 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 Galveston Independent School District's internal control over financial reporting and compliance.

Mitchell T Fontenote CPA, Inc.

Port Neches, Texas
December 15, 2020

In this section of the Annual Financial Report, we, the managers of the Galveston Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2020. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements that begin on page 10.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$13,042,904 at August 31, 2020.
- During the year, the District's expenses were \$6,543,443 less than the \$117,659,795 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$33,721,250. Of this amount, \$21,549,696 is for unrestricted use by the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They include the Statement of Net Position and the Statement of Activities that provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two 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. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The *Statement of Activities* presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (governmental activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide detailed information about the District's most significant funds, *not* the District as a whole.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

The District has the following kinds of funds:

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains several individual governmental funds organized according to their type. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the District's most significant funds. The District's major governmental fund is the General Fund. Data for the remaining governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The Texas Education Agency also requires the District to present a budgetary comparison statement for one of its special revenue funds (food service) and the debt service fund.

- **Proprietary funds.** These funds include the enterprise fund.
- **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. 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 separate Statements of Fiduciary Net Position on page 21.

Notes to the Financial Statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-45 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on page 46-54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental activities.

The District's combined net position were \$13,042,904 at August 31, 2020. (See Table I)

Table I
Galveston Independent School District
Net Position

	Governmental Activities		
	2020	2019	Change
Current and Other Asset	\$ 60,052,786	\$ 70,108,833	\$ (10,056,047)
Capital Assets	89,491,890	74,036,432	15,455,458
Total Assets	149,544,676	144,145,265	5,399,411
Deferred Charge on Refunding	1,113,393	1,393,808	(280,415)
Deferred Outflow - Pension	11,405,977	13,143,887	(1,737,910)
Deferred Outflow - OPEB	6,670,008	2,816,384	3,853,624
Total Deferred Outflows	19,189,378	17,354,079	1,835,299
Current Liabilities	8,997,666	12,037,514	(3,039,848)
Long-term Liabilities	125,768,117	131,078,630	(5,310,513)
Total Liabilities	134,765,783	143,116,144	(8,350,361)
Deferred Inflow - Pension	4,924,559	2,534,956	2,389,603
Deferred Inflow - OPEB	16,000,808	12,135,903	3,864,905
Total Deferred Inflows	20,925,367	14,670,859	6,254,508
Net Position:			
Net Investment in Capital Asset	21,929,013	18,893,804	3,035,209
Restricted	12,671,210	7,754,364	4,916,846
Unrestricted	(21,557,319)	(22,935,827)	1,378,508
Total Net Position	\$ 13,042,904	\$ 3,712,341	\$ 9,330,563

Approximately \$21.9 million of the District's net position represent investments in capital assets net of related debt.

Changes in net position. The District's total revenues were \$117.6 million. A portion, 69 percent, of the District's revenue comes from local property taxes, 10 percent comes from grants and contributions, while only 13 percent relates to charges for services and operating grants, and the remaining 8 percent relates to investment earnings and other miscellaneous revenue.

Total cost of all programs and services was \$111,116,352. The net position of the District's governmental activities for the current year increased by \$6,543,443 (see Table II on page 7 of this report).

GALVESTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2020

Key elements of the governmental activities of the District are reflected in the following table.

Table II
Galveston Independent School District
Statement of Activities

	Governmental Activities		
	2020	2019	Change
Revenues			
Program Revenues			
Charges for Services	\$ 1,930,049	\$ 2,083,079	\$ (153,030)
Operating Grants and Contributions	13,766,155	32,851,996	(19,085,841)
General Revenues			
Property taxes	81,553,247	85,370,223	(3,816,976)
Grants and contributions not restricted	11,534,511	5,081,727	6,452,784
Investment earnings	875,083	1,611,702	(736,619)
Other revenue	8,135,308	414,291	7,721,017
Gain (Loss) on disposal of assets	(134,558)	65,966	(200,524)
Total Revenue	117,659,795	127,478,984	(9,819,189)
Expenses			
Instruction	50,507,217	44,928,123	5,579,094
Instructional Resources and Media	397,845	474,943	(77,098)
Curriculum/ Instructional Development	4,514,343	4,083,632	430,711
Instructional Leadership	2,948,732	3,046,981	(98,249)
School Leadership	4,702,868	4,192,043	510,825
Guidance, Counseling and Evaluation	2,716,158	2,789,979	(73,821)
Social Services	407,275	361,308	45,967
Health Services	900,769	886,214	14,555
Student Transportation	3,484,142	3,454,254	29,888
Food Services	5,056,366	6,239,100	(1,182,734)
Extracurricular Activities	1,878,503	2,346,964	(468,461)
General Administration	2,704,277	2,488,287	215,990
Facilities Maintenance and Operations	3,141,401	8,648,421	(5,507,020)
Security and Monitoring Services	1,291,152	994,864	296,288
Data Processing Services	3,183,532	3,083,549	99,983
Community Services	1,026,572	868,584	157,988
Debt Services - Interest	2,498,582	2,783,951	(285,369)
Debt Service - Bond Issuance Cost and Fees	1,500	-	1,500
Facilities acquisition and construction	280,230	13,741,287	(13,461,057)
Contracted instructional services between public schools	18,705,416	26,139,990	(7,434,574)
Payments to shared services agreements	80,143	92,583	(12,440)
Other Intergovernmental Charges	689,329	881,611	(192,282)
Total Expenses Governmental Activities	111,116,352	132,526,668	(21,410,316)
Increase (Decrease) in Net Position	6,543,443	(5,047,684)	11,591,127
Net Position - Beginning	3,712,341	8,760,025	(5,047,684)
Prior Period Adjustment	2,787,120	-	2,787,120
Net Position - Ending	\$ 13,042,904	\$ 3,712,341	\$ 9,330,563

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented on page 12) reported a combined fund balance of \$46.8 million, which is an increase from last year.

Over the course of the year, the Board of Trustees revised the District's budget a number of times. These budget items fall into three categories. The first category includes amendments and supplemental appropriations that were provided shortly after the school year began. The second category involved moving funds from program areas that did not need or use all of the resources originally appropriated to them. The third category involved changes in state program revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were budget amendments for the 2019-2020 school year required to meet various needs throughout the District approved by the Board of Trustees.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets. At August 31, 2020, the District had \$89.5 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, furniture and equipment used for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$15,455,457 (including additions and deductions) over last year. Additional details on capital assets can be found in the notes to the financial statements.

Galveston Independent School District Capital Assets Governmental Activities

	August 31, 2020	August 31, 2019
Land	\$ 4,366,348	\$ 4,366,348
Buildings and Improvements	184,132,021	163,312,604
Furniture and Equipment	11,179,015	12,285,896
Vehicles	7,096,055	6,098,426
Construction in Progress	1,476,359	499,074
Totals at Historical Cost	<u>208,249,798</u>	<u>186,562,348</u>
Less: Accumulated Depreciation		
Buildings and Improvements	(105,373,697)	(99,541,515)
Furniture and Equipment	(9,203,321)	(8,786,134)
Vehicles	(4,180,890)	(4,198,267)
Total Accumulated Depreciation	<u>(118,757,908)</u>	<u>(112,525,916)</u>
Net Capital Assets	<u>\$ 89,491,890</u>	<u>\$ 74,036,432</u>

Long-Term Debt. At year-end, the District had \$61.2 million in general obligation debt at a coupon interest rate of 2.0-5.0% outstanding at year-end. The District's general obligation bonds carried the highest possible rating, according to national rating agencies. Additional details on long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

- The District's enrollment was projected to remain stable at approximately 7048 students at the time the 2020-2021 budget was adopted.
- For 2020-2021, the maintenance and operations tax rate was \$.9314, while the debt service rate is \$0.095, for a total tax rate of \$1.0264. The maintenance and operations tax rate decreased \$0.0586, and the debt service rate remained constant when compared to 2019-2020. The adopted tax rate reflects tax rate compression mandated by House Bill 3 of the 86th Legislature.
- Net taxable property values in the District increased 9%. The average taxable residence in Galveston increased from an average taxable value in 2019 of \$221,808 to \$233,523 in 2020.
- Expenditures are budgeted to increase 9.3% or \$7.7M. This increase is primarily due to a 1% salary increase and a one-time salary supplement for employees, new personnel hired in response to the pandemic, and an increase in recapture payments due to TEA.

The indicators were taken into account when adopting the budget for 2020-2021. The Galveston Independent School District general fund adopted budget for 2020-2021 is as follows:

General Fund Budget	Original
Budgeted Revenues	\$ 92,552,742
Budgeted Expenditures	91,121,483
Budgeted Surplus	\$ 1,431,259

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Dr. Kelli Moulton, Superintendent, at P.O. Box 660, Galveston, Texas 77553 or by calling (409) 766-5100.

BASIC FINANCIAL STATEMENTS

GALVESTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 21,405,531
1120 Current Investments	25,124,190
1220 Property Taxes - Delinquent	7,582,832
1230 Allowance for Uncollectible Taxes	(1,893,852)
1240 Due from Other Governments	6,364,979
1267 Due from Fiduciary Funds	48,172
1290 Other Receivables, Net	178,805
1300 Inventories	208,082
1410 Prepayments	1,034,047
Capital Assets:	
1510 Land	4,366,348
1520 Buildings, Net	78,758,325
1530 Furniture and Equipment, Net	4,890,858
1580 Construction in Progress	1,476,359
1000 Total Assets	<u>149,544,676</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	1,113,393
1705 Deferred Outflow Related to TRS Pension	11,405,977
1706 Deferred Outflow Related to TRS OPEB	6,670,008
1700 Total Deferred Outflows of Resources	<u>19,189,378</u>
LIABILITIES	
2110 Accounts Payable	3,213,933
2140 Interest Payable	367,800
2160 Accrued Wages Payable	2,753,764
2180 Due to Other Governments	998,197
2200 Accrued Expenses	611,291
2300 Unearned Revenue	1,052,681
Noncurrent Liabilities:	
2501 Due Within One Year	5,428,974
2502 Due in More Than One Year	62,192,878
2540 Net Pension Liability (District's Share)	24,564,196
2545 Net OPEB Liability (District's Share)	33,582,069
2000 Total Liabilities	<u>134,765,783</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	4,924,559
2606 Deferred Inflow Related to TRS OPEB	16,000,808
2600 Total Deferred Inflows of Resources	<u>20,925,367</u>
NET POSITION	
3200 Net Investment in Capital Assets	21,929,013
3820 Restricted for Federal and State Programs	4,653,709
3850 Restricted for Debt Service	4,771,745
3860 Restricted for Capital Projects	3,245,756
3900 Unrestricted	(21,557,319)
3000 Total Net Position	<u><u>\$ 13,042,904</u></u>

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

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

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Position

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 50,507,217	\$ 998,726	\$ 5,272,290	\$ (44,236,201)
12 Instructional Resources and Media Services	397,845	-	-	(397,845)
13 Curriculum and Instructional Staff Development	4,514,343	-	3,010,079	(1,504,264)
21 Instructional Leadership	2,948,732	-	691,188	(2,257,544)
23 School Leadership	4,702,868	227,673	7,559	(4,467,636)
31 Guidance, Counseling, and Evaluation Services	2,716,158	-	349,999	(2,366,159)
32 Social Work Services	407,275	-	71,163	(336,112)
33 Health Services	900,769	-	3,695	(897,074)
34 Student (Pupil) Transportation	3,484,142	-	-	(3,484,142)
35 Food Services	5,056,366	490,217	4,137,061	(429,088)
36 Extracurricular Activities	1,878,503	150,816	-	(1,727,687)
41 General Administration	2,704,277	-	1,145	(2,703,132)
51 Facilities Maintenance and Operations	3,141,401	62,617	62,770	(3,016,014)
52 Security and Monitoring Services	1,291,152	-	-	(1,291,152)
53 Data Processing Services	3,183,532	-	-	(3,183,532)
61 Community Services	1,026,572	-	159,206	(867,366)
72 Debt Service - Interest on Long-Term Debt	2,498,582	-	-	(2,498,582)
73 Debt Service - Bond Issuance Cost and Fees	1,500	-	-	(1,500)
81 Capital Outlay	280,230	-	-	(280,230)
91 Contracted Instructional Services Between Schools	18,705,416	-	-	(18,705,416)
93 Payments Related to Shared Services Arrangements	80,143	-	-	(80,143)
99 Other Intergovernmental Charges	689,329	-	-	(689,329)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 111,116,352	\$ 1,930,049	\$ 13,766,155	(95,420,148)

Data
Control
Codes

General Revenues:
Taxes:

MT	Property Taxes, Levied for General Purposes	74,398,608
DT	Property Taxes, Levied for Debt Service	7,154,639
SF	State Aid - Formula Grants	3,066,220
GC	Grants and Contributions not Restricted	8,468,291
IE	Investment Earnings	875,083
MI	Miscellaneous Local and Intermediate Revenue	8,135,308
FR	Transfers In (Out)	(134,558)
TR	Total General Revenues and Transfers	101,963,591
CN	Change in Net Position	6,543,443
NB	Net Position - Beginning	3,712,341
PA	Prior Period Adjustment	2,787,120
NE	Net Position - Ending	\$ 13,042,904

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

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

Data Control Codes	10 General Fund	60 Capital Projects	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 12,085,343	\$ 276,247	\$ 4,537,313
1120 Investments - Current	16,918,706	7,997,037	208,447
1220 Property Taxes - Delinquent	6,915,880	-	666,952
1230 Allowance for Uncollectible Taxes	(1,729,160)	-	(164,692)
1240 Due from Other Governments	4,042,725	-	-
1260 Due from Other Funds	3,746,398	17,638	-
1290 Other Receivables	129,676	-	10,301
1300 Inventories	97,276	-	-
1410 Prepayments	1,034,047	-	-
1000 Total Assets	<u>\$ 43,240,891</u>	<u>\$ 8,290,922</u>	<u>\$ 5,258,321</u>
LIABILITIES			
2110 Accounts Payable	\$ 882,826	\$ 1,588,367	\$ -
2160 Accrued Wages Payable	2,557,478	-	-
2170 Due to Other Funds	17,638	2,845,508	680
2180 Due to Other Governments	975,600	-	-
2200 Accrued Expenditures	-	611,291	-
2300 Unearned Revenue	668,387	-	55,474
2000 Total Liabilities	<u>5,101,929</u>	<u>5,045,166</u>	<u>56,154</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	4,417,712	-	430,422
2600 Total Deferred Inflows of Resources	<u>4,417,712</u>	<u>-</u>	<u>430,422</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	55,526	-	-
3430 Prepaid Items	1,116,028	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	-	4,771,745
Committed Fund Balance:			
3545 Other Committed Fund Balance	11,000,000	-	-
Assigned Fund Balance:			
3550 Construction	-	3,245,756	-
3600 Unassigned Fund Balance	21,549,696	-	-
3000 Total Fund Balances	<u>33,721,250</u>	<u>3,245,756</u>	<u>4,771,745</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 43,240,891</u>	<u>\$ 8,290,922</u>	<u>\$ 5,258,321</u>

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

		Total	
Other		Governmental	
Funds		Funds	
\$	4,424,385	\$	21,323,288
	-		25,124,190
	-		7,582,832
	-		(1,893,852)
	2,322,254		6,364,979
	-		3,764,036
	37,826		177,803
	110,806		208,082
	-		1,034,047
\$	6,895,271	\$	63,685,405
\$	707,345	\$	3,178,538
	196,286		2,753,764
	852,038		3,715,864
	22,597		998,197
	-		611,291
	328,820		1,052,681
	2,107,086		12,310,335
	-		4,848,134
	-		4,848,134
	134,476		190,002
	-		1,116,028
	4,653,709		4,653,709
	-		4,771,745
	-		11,000,000
	-		3,245,756
	-		21,549,696
	4,788,185		46,526,936
\$	6,895,271	\$	63,685,405

GALVESTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 46,526,936
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	47,850
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$186,562,348 and the accumulated depreciation was (\$112,525,916). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	1,898,337
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to increase net position.	27,566,934
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$13,143,887, a Deferred Resource Inflow in the amount of \$2,534,956 and a net pension liability in the amount of \$24,855,801. The impact of this on Net Position is (3,835,908). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of (\$14,246,870). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$18,082,778) .	(18,082,778)
5 The District participates in the TRS-Care plan for retirees through TRS. The District's share of the TRS plan resulted in a net OPEB liability of \$33,582,069, a deferred outflow of \$6,670,008 and a deferred inflow of \$16,000,808. This resulted in a difference between the ending fund balance and the ending net position of (\$42,912,869).	(42,912,869)
6 The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(6,849,639)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	4,848,133
19 Net Position of Governmental Activities	\$ 13,042,904

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

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

Data Control Codes	10 General Fund	60 Capital Projects	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 76,408,010	\$ 471,344	\$ 7,254,616
5800 State Program Revenues	6,494,099	-	56,312
5900 Federal Program Revenues	1,330,831	-	-
5020 Total Revenues	84,232,940	471,344	7,310,928
EXPENDITURES:			
Current:			
0011 Instruction	34,883,074	-	-
0012 Instructional Resources and Media Services	358,130	-	-
0013 Curriculum and Instructional Staff Development	789,800	-	-
0021 Instructional Leadership	1,351,291	-	-
0023 School Leadership	4,048,790	-	-
0031 Guidance, Counseling, and Evaluation Services	1,963,320	-	-
0032 Social Work Services	274,464	-	-
0033 Health Services	774,194	-	-
0034 Student (Pupil) Transportation	2,993,911	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,664,403	-	-
0041 General Administration	2,315,469	-	-
0051 Facilities Maintenance and Operations	8,216,767	-	-
0052 Security and Monitoring Services	1,091,346	61,580	-
0053 Data Processing Services	1,831,588	-	-
0061 Community Services	767,951	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	-	4,134,998
0072 Interest on Long-Term Debt	-	-	3,641,402
0073 Bond Issuance Cost and Fees	-	-	1,500
Capital Outlay:			
0081 Facilities Acquisition and Construction	333,990	12,812,824	-
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	18,705,416	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	80,143	-	-
0099 Other Intergovernmental Charges	689,329	-	-
6030 Total Expenditures	83,133,376	12,874,404	7,777,900
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	1,099,564	(12,403,060)	(466,972)
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	29,174	-	-
7915 Transfers In	462,909	-	-
8911 Transfers Out (Use)	(438,040)	-	-
7080 Total Other Financing Sources (Uses)	54,043	-	-
1200 Net Change in Fund Balances	1,153,607	(12,403,060)	(466,972)
0100 Fund Balance - September 1 (Beginning)	30,136,999	15,648,816	5,003,767
1300 Increase (Decrease) in Fund Balance	2,430,644	-	234,950
3000 Fund Balance - August 31 (Ending)	\$ 33,721,250	\$ 3,245,756	\$ 4,771,745

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

		Total	
Other		Governmental	
Funds		Funds	
\$	7,612,751	\$	91,746,721
	2,320,444		8,870,855
	11,445,711		12,776,542
	21,378,906		113,394,118
	9,039,612		43,922,686
	-		358,130
	3,043,540		3,833,340
	1,141,179		2,492,470
	7,559		4,056,349
	349,999		2,313,319
	71,163		345,627
	3,695		777,889
	109,436		3,103,347
	4,541,846		4,541,846
	(9,829)		1,654,574
	95,416		2,410,885
	190,262		8,407,029
	3,574		1,156,500
	608,440		2,440,028
	159,284		927,235
	-		4,134,998
	-		3,641,402
	-		1,500
	100,000		13,246,814
	-		18,705,416
	-		80,143
	-		689,329
	19,455,176		123,240,856
	1,923,730		(9,846,738)
	-		29,174
	83,038		545,947
	(98,840)		(536,880)
	(15,802)		38,241
	1,907,928		(9,808,497)
	2,880,257		53,669,839
	-		2,665,594
\$	4,788,185	\$	46,526,936

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (9,808,497)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.	(446,160)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 capital outlays and debt principal payments is to increase net position.	27,445,408
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(6,849,640)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	572,864
Current year changes due to GASB 68 increased revenues in the amount of \$3,025,390 but also increased expenditures in the amount of \$6,861,298. The net effect on the change in the ending net position was a decrease in the amount of \$3,835,908.	(3,835,908)
Current year changes due to GASB 75 increased revenues in the amount of \$627,879 but also increased expenditures in the amount of \$1,162,503. The net effect on the change in the ending net position was a decrease in the amount of \$534,624.	(534,624)
Change in Net Position of Governmental Activities	<u><u>\$ 6,543,443</u></u>

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

GALVESTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2020

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 82,243
Other Receivables	<u>1,002</u>
Total Assets	<u>83,245</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>35,395</u>
Total Liabilities	<u>35,395</u>
NET POSITION	
Unrestricted Net Position	<u>47,850</u>
Total Net Position	<u><u>\$ 47,850</u></u>

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

GALVESTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 174,103
Total Operating Revenues	<u>174,103</u>
OPERATING EXPENSES:	
Professional and Contracted Services	528,156
Total Operating Expenses	<u>528,156</u>
Income Before Transfers	(354,053)
Transfer In	355,000
Transfers Out	<u>(447,107)</u>
Change in Net Position	(446,160)
Total Net Position - September 1 (Beginning)	<u>494,010</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 47,850</u></u>

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

GALVESTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 174,103
Cash Payments for Suppliers	(528,156)
Net Cash Used for Operating Activities	(354,053)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(447,107)
Net Cash Used for Non-Capital Activities	(447,107)
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Capital Contributed by Other Funds	355,000
Net Cash Provided by Capital and Related Financing Activities	355,000
Net Decrease in Cash and Cash Equivalents	(446,160)
Cash and Cash Equivalents at Beginning of Year	523,646
Cash and Cash Equivalents at End of Year	\$ 77,486
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (354,053)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(1,002)
Increase (decrease) in Accounts Payable	1,002
Net Cash Used for Operating Activities	\$ (354,053)

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

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

	Private Purpose Trust Funds	836-849 Investment Trust Fund	Total Custodial Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ 255,430
Restricted Assets	176,662	-	-
Total Assets	176,662	-	255,430
LIABILITIES			
Accounts Payable	-	\$ -	8,231
Payroll Deductions and Withholdings Payable	-	-	16,581
Accrued Wages Payable	-	-	17,979
Due to Other Funds	-	-	48,172
Due to Student Groups	-	-	160,644
Total Liabilities	-	\$ -	251,607
NET POSITION			
Restricted for Other Purposes	180,374		-
Unrestricted Net Position	(3,712)		3,823
Total Net Position	\$ 176,662		\$ 3,823

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

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

	Private Purpose Trust Funds	836-849 Investment Trust Fund
ADDITIONS:		
Earnings from Endowments	\$ -	\$ 7,575
Earnings from Temporary Deposits	1,059	827
Contributions, Gifts and Donations	500	-
Total Additions	<u>1,559</u>	<u>8,402</u>
DEDUCTIONS:		
Professional and Contracted Services	-	581,029
Other Deductions	96,426	-
Total Deductions	<u>96,426</u>	<u>581,029</u>
Change in Fiduciary Net Position	(94,867)	(572,627)
Total Net Position - September 1 (Beginning)	<u>271,529</u>	<u>572,627</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 176,662</u></u>	<u><u>\$ -</u></u>

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

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

A. REPORTING ENTITY

The Board of Trustees (the "Board") is a seven-member group and has responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgement for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Galveston Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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

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

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

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund type:

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Proprietary Funds:

4. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund.

Fiduciary Funds:

5. **Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District.
6. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund list includes:

Student Activities - The student activities fund is used to record funds held for student organizations.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

3. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type 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 one years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 to 50 years
Furniture and equipment	5 to 20 years
Vehicles	5 to 20 years

4. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's Board. Assignments of fund balance are amounts set aside by the District's Superintendent or his designee with the intent they be used for specific purposes.
5. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

6. 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 acquisition price. This amount is deferred and amortized over the shorter of the life of the refund or refunding debt. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives pension plan members. A deferred charge has been recognized for employer pension and OPEB 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 and OPEB liabilities during the measurement period in which the contributions were made. Deferred outflows of resources are recognized for the difference between projected and actual investment earnings on the OPEB plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit plans. These amounts are deferred and amortized over the average of the expected service lives of pension and OPEB plan members.
7. 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 four 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 and for the changes in actuarial assumptions related to the District's defined pension and OPEB plans. These amounts are deferred and amortized over the average of the expected service lives of pension and OPEB plan members. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit plan. Those amounts are deferred and amortized over the average of the expected service lives of pension plan members. Deferred inflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. 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.
8. The Data Control Codes refer to the account code structure prescribed by TEA in the ***Financial Accountability System Resource Guide***. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.
9. The fiduciary net position of 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' 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Cont'd

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other two reports are in Exhibit J4 and J5.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget manager at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting all deposits denominated in a foreign currency to less than 5% of all deposits.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

As of August 31, 2020, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Name</u>	<u>Maturity</u>	<u>Rating</u>	<u>Amount</u>	<u>Percentage</u>
Cash and Cash Equivalents	N/A	N/A	\$ 21,660,961	46.30%
Texas TERM Investment Pool	N/A	AAA	25,124,190	53.70%
Totals			<u>\$ 46,785,151</u>	<u>100.00%</u>

Investments

Texas CLASS

The Cooperative Liquid Asset Securities System Trust – 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. 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.

TexasTERM

The Texas Term Local Government Investment Pool (“TexasTERM”) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexasTERM is administered by PFM Asset Management LLC, which also serve as the investment advisor. The reported value of TexasTERM is the same as the fair value of the TexasTERM shares. Investment options include TexasDAILY, a money market portfolio, that is rated “AAAm” by Standard & Poor’s, and TexasTERM Cd Purchase Program, a fixed rate, fixed-term investment option enabling investors to invest in FDIC insured certificate of deposits from banks throughout the United States.

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2020, the district's investments were rated AAA.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

Interest Rate Risk In accordance with its investment policy, the District manages its exposure to interest rates that could adversely affect the value of investments, the district shall use final and weighted-average maturity limits and diversification. The Districts shall monitor interest rate risk using weighted average maturity and specific identification.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Money market mutual funds are classified in Level 1 of the fair value hierarchy and are valued using the market approach.

As of August 31, 2020, Galveston Independent School District had the following recurring fair value measurements:

Description	August 31, 2019	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 Level				
Money Market mutual funds	\$ 2,014,753	\$ 2,014,753	\$ -	\$ -

B. **PROPERTY TAXES**

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

C. **DELINQUENT TAXES RECEIVABLE**

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

GALVESTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

D. INTERFUND BALANCES AND TRANSFERS

As of August 31, 2020, the District's interfund balances were as follows:

Due From	Due To	Total
Galveston permanent endowment	General Fund	\$ 852,037
Debt service fund	General Fund	680
Capital projects fund	General Fund	2,845,508
Trust and Agency	General Fund	48,172
Special Revenue	Special Revenue	14,202
General Fund	Capital Projects	17,638
Total		\$ 3,778,237

E. CAPITAL ASSET ACTIVITY

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

Capital Assets, Not Depreciated	9/1/2019	Additions	Retirements	Reclassification	8/31/2020
Land	\$ 4,366,348	\$ -	\$ -	\$ -	\$ 4,366,348
Construction in Progress	499,074	977,285	-	-	1,476,359
Total Capital Assets, Not Depreciated	\$ 4,865,422	\$ 977,285	\$ -	\$ -	\$ 5,842,707
Capital Assets, Depreciated					
Buildings & Improvements	163,312,604	20,630,578	-	188,839	184,132,021
Furniture & Equipment	10,972,436	436,685	(61,376)	(168,730)	11,179,015
Vehicles	7,411,886	219,715	(636,963)	101,417	7,096,055
Total Capital Assets, Depreciated	181,696,926	21,286,978	(698,339)	121,526	202,407,091
Less: Accumulated Depreciation					
Buildings & Improvements	(99,541,515)	(5,832,182)	-	-	(105,373,697)
Furniture & Equipment	(8,786,134)	(455,080)	37,893	-	(9,203,321)
Vehicles	(4,198,267)	(562,377)	579,754	-	(4,180,890)
Total Accumulated Depreciation	(112,525,916)	(6,849,639)	617,647	-	(118,757,908)
Governmental Activities Capital Assets, Net	\$ 74,036,432	\$ 15,414,624	\$ (80,692)	\$ 121,526	\$ 89,491,890

Depreciation was allocated as follows:

Function Description	Amount
Instruction	\$ 1,900,050
Instruction Resources and Media Services	15,497
Curriculum Development and Instructional Staff Development	165,883
Instruction Leadership	107,335
School Leadership	175,533
Guidance, Counseling and Evaluation Services	100,106
Social Work Services	14,957
Health Services	33,662
Student (Pupil) Transportation	134,293
Food Services	196,543
Cocurricular/Extracurricular Activities	71,600
General Administration	104,851
Plant Maintenance and Operations	3,635,299
Security and Monitoring Services	50,046
Data Processing Services	103,858
Community Services	40,126
Totals	\$ 6,849,639

GALVESTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

F. BONDS AND LONG-TERM NOTES PAYABLE

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

A summary of changes in general long-term debt for the year ended August 31, 2020 is as follows:

Description	Interest Rate	Balance 9/1/2019	Increase	Decrease	Balance 8/31/2020	Due in One Year
Governmental Activities:						
Bonds payable:						
Series 2011	2.00-3.00%	\$ 7,864,998	\$ -	\$ (594,998)	\$ 7,270,000	3,580,000
Series 2012	2.00-4.00%	1,820,000	-	(1,820,000)	-	-
Series 2013	2.00-5.00%	29,715,000	-	-	29,715,000	-
Series 2018	3.00-5.00%	25,935,000	-	(1,720,000)	24,215,000	1,790,000
Total		65,334,998	-	(4,134,998)	61,200,000	5,370,000
Other liabilities:						
Compensated absences		42,992	54,846	(38,864)	58,974	54,675
Unamortized premium		6,850,254	-	(487,376)	6,362,878	-
Accreted interest		935,859	19,143	(955,002)	-	-
Total Other Obligations		7,829,105	73,989	(1,481,242)	6,421,852	54,675
Total District Obligations		\$ 73,164,103	\$ 73,989	\$ (5,616,240)	\$ 67,621,852	\$ 5,424,675

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2020.

Debt service requirements for bonds are as follows:

	Principal	Interest	Total
2021	5,370,000	2,522,200	7,892,200
2022	5,560,000	2,321,650	7,881,650
2023	5,620,000	2,093,300	7,713,300
2024	5,895,000	1,819,675	7,714,675
2025-2029	33,015,000	4,777,900	37,792,900
2030	5,740,000	141,000	5,881,000
	<u>\$ 61,200,000</u>	<u>\$ 13,675,725</u>	<u>\$ 74,875,725</u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

G. COMMITMENTS UNDER NONCAPITALIZED LEASES

During the year, the District expended a total of \$ 103,513 for operating (noncapitalized) leases and, in accordance with standard nonappropriation clauses in the various lease agreements, the District has no future obligations in relation to these leases.

H. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

The District does not accrue unpaid sick leave benefits.

I. DEFINED BENEFIT PENSION PLAN

Plan Description. Galveston Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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.

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov>; 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 benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits. State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

Contributions. Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. 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.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

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 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. SB12 in the 86th Legislature set higher contribution rates for fiscal year 2020 and fiscal year 2021. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%. This "surcharge" was previously only charged to employers not participating in social security. Contribution Rates can be found in the TRS 2019 CAFR, Note 11, on page 76.

	Contribution Rates	
	2019	2020
Member	7.7%	7.7%
NECE (State)	6.8%	7.5%
Employers	6.8%	7.7%
Employer contributions		\$ 3,321,696
Member contributions		\$ 3,761,333
NECE on-behalf contributions		\$ 2,265,672

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

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

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

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- Employers must contribute 1.5% of the member's salary ("Public Education Employer Surcharge").

Actuarial Assumptions.

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

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

The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Rate	7.25%
Municipal Bond Rate as of August 2019	2.63% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the statutorily required rates set by the Legislature during the 2019 legislative session. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

Asset Class	Target Allocation*	New Target Allocation**	Long-Term Expected Portfolio Real Rate of Return***
Global Equity			
U.S.	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	-	-
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries****	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return (Including Credit Sensitive Investments)	-	-	-
Real Return			
Global Inflation Linked Bonds***	3.00%	-	-
Real Estate	14.00%	15.00%	8.50%
Energy and Natural Resources	5.00%	6.00%	7.30%
Commodities	0.00%	-	-
Risk Parity			
Risk Parity	5.00%	8.00%	5.8/6.5%*****
Asset Allocation Leverage Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	-	6.00%	2.70%
Expected Return			7.23%

* FY 2019 Target Allocations are based on the Strategic Asset Allocation dated 10/1/2018

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

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

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability. The discount rate can be found in the 2019 TRS CAFR, Note 11, page 77.

	1% Decrease in Discount Rate (6.25%)	Current Single Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$ 37,758,738	\$ 24,654,196	\$ 13,874,071

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2020, Galveston Independent School District reported a liability of \$24,564,196 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Galveston Independent School District. The amount recognized by Galveston Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Galveston Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 24,654,196
State's proportionate share that is associated with the District	\$ 33,650,759
Total	<u>\$ 58,304,955</u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018 rolled forward to August 31, 2019. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0472541728 % which was an increase of 0.0020966728% from its proportion measured as of August 31, 2018.

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

- The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.
- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

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, 2020, Galveston Independent School District recognized pension expense of \$5,286,060 and revenue of \$5,286,060 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2020, Galveston Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	103,192	852,908
Changes in actual assumptions	7,621,020	3,149,366
Difference between projected and actual investment earnings	246,653	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,225,058	922,285
Contributions paid to TRS subsequent to the measurement date	1,210,054	-
Total	\$ 11,405,977	\$ 4,924,559

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

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

<u>Year ended August 31,</u>	<u>Pension Expense</u>
2021	\$ 1,424,640
2022	1,116,237
2023	1,187,627
2024	1,215,944
2025	507,938
Thereafter	(181,022)

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 48,583,247,239
Less: Plan Fiduciary Net Position	1,292,022,349
Net OPEB Liability	<u>\$ 47,291,224,890</u>

Net Position as a percentage of total OPEB Liability	2.66%
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Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

TRS-Care Monthly Premium rates Effective January 1, 2019 - Dec. 31, 2019			
		Medicare	Non-Medicare
Retiree or Surviving Spouse	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree or Surviving Spouse and Children		468	408
Retiree and Family		1,020	999

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee's pay for fiscal year 2019. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2020 FY Employer Contributions		\$ 366,363
District's 2020 FY Member Contributions		\$ 317,236
Measurement Year NECE On-Behalf Contributions		\$ 669,640

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

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

Actuarial Assumptions. The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 Rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% - 9.05%
Ad-hoc Post Employment Benefit Changes	None

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

Sensitivity of the Net OPEB Liability:

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

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of the Net OPEB Liability:	\$ 40,544,333	\$ 33,582,069	\$ 28,135,555

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 27,395,074	\$ 33,582,069	\$ 41,869,802

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2020, Galveston Independent School District reported a liability of \$33,582,069 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Galveston Independent School District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 33,582,069
State's proportionate share that is associated with the District	44,623,059
Total	<u>\$ 78,205,128</u>

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

At August 31, 2019, the employer's proportion of the collective Net OPEB Liability was 0.0710112064% compared to the 0.0662089% as of August 31, 2018. This is an increase (decrease) of .0048023064%.

Changes in Actuarial Assumptions Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB liability (TOL).
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.

Changes in Benefit Terms: There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, Galveston Independent School District recognized OPEB expense of \$1,176,081 and revenue of \$1,176,081 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	1,647,486	5,495,349
Changes in actual assumptions	1,865,222	9,032,752
Difference between projected and actual investment earnings	3,623	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,657,349	1,472,707
Contributions paid to TRS subsequent to the measurement date	496,328	-
Total	\$ 6,670,008	\$ 16,000,808

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

<u>Year ended August 31,</u>	<u>OPEB Expense</u>
2021	\$ (1,731,398)
2022	(1,731,398)
2023	(1,732,570)
2024	(1,733,241)
2025	(1,733,057)
Thereafter	(1,165,465)

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, 2020, 2019, and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$235,552, \$171,752, and \$136,244, respectively.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

K. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

During the year ended August 31, 2020, 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 dependents. 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, 2020 and terms of coverage and premiums costs are included in the contractual provisions.

L. WORKERS' COMPENSATION INSURANCE

During the year ended August 31, 2020, 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, 2019, the Fund carries a discounted reserve of \$45,439,534 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2020, 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, 2019 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

M. UNEMPLOYMENT COMPENSATION

During the year ended August 31, 2020, the District met its statutory unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, 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, Galveston ISD 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, 2019 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

N. SHARED SERVICES ARRANGEMENTS

The district is the fiscal agent for two shared service arrangements (SSA) which provide services for visually impaired students and for students requiring orientation and mobility services. The member districts participating are listed below. All services are provided by the fiscal agent. The member districts reimburse 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 SSAs are summarized below:

Visually Impaired Program - Fund 446

Member Districts

Hitchcock ISD	\$	2,272
Texas City ISD		2,328
Dickinson ISD		(1,147)
Galveston ISD		3,692
Friendswood ISD		(175)
Sante Fe ISD		2,836
Total	\$	9,806

Orientation and Mobility Program - Fund 434

Member Districts

Texas City ISD		(16,341)
Galveston ISD		(1,159)
Sante Fe ISD		(14,271)
Total	\$	(31,771)

O. 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. To date, the Federal Emergency Management Agency (FEMA) has paid the District approximately \$21,150,000 out of \$27.3M in eligible damages. Most projects have been closed out; however, after reductions for the District's local share of approximately 10%, as of August 31, 2020, the District's receivable was \$3,701,317.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS Cont'd

P. LITIGATION

None.

Q. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 14, 2020, the date the financial statements were available to be issued.

R. FUND BALANCE

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- Non-Spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District has \$1,306,030 classified as Non Spendable.
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The District has \$9,425,454 classified as Restricted.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The district has \$11,000,000 classified as Committed.
- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The District has \$3,245,756 classified as Assigned.
- Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds. The District has \$21,549,696 classified as Unassigned.

The elected board of trustees, for the entity, has the authority to commit, assign, and restrict fund balances. In some instances a restriction is a result of meeting contractual or otherwise legal requirements, for example debt service requirements contained in the bond covenant.

REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 78,288,495	\$ 78,832,000	\$ 76,408,010	\$ (2,423,990)
5800	State Program Revenues	4,843,225	6,185,000	6,494,099	309,099
5900	Federal Program Revenues	977,017	1,186,600	1,330,831	144,231
5020	Total Revenues	84,108,737	86,203,600	84,232,940	(1,970,660)
EXPENDITURES:					
Current:					
0011	Instruction	34,647,538	36,571,003	34,883,074	1,687,929
0012	Instructional Resources and Media Services	489,379	421,394	358,130	63,264
0013	Curriculum and Instructional Staff Development	773,005	885,770	789,800	95,970
0021	Instructional Leadership	1,553,735	1,463,694	1,351,291	112,403
0023	School Leadership	4,113,000	4,195,011	4,048,790	146,221
0031	Guidance, Counseling, and Evaluation Services	1,979,685	2,020,902	1,963,320	57,582
0032	Social Work Services	281,531	287,367	274,464	12,903
0033	Health Services	517,676	796,357	774,194	22,163
0034	Student (Pupil) Transportation	3,111,235	3,221,562	2,993,911	227,651
0036	Extracurricular Activities	1,878,473	1,835,261	1,664,403	170,858
0041	General Administration	2,384,650	2,646,068	2,315,469	330,599
0051	Facilities Maintenance and Operations	8,519,635	8,832,921	8,216,767	616,154
0052	Security and Monitoring Services	997,703	1,194,876	1,091,346	103,530
0053	Data Processing Services	1,570,229	2,021,254	1,831,588	189,666
0061	Community Services	702,900	720,596	767,951	(47,355)
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	485,788	333,990	151,798
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	19,181,256	18,450,970	18,705,416	(254,446)
0093	Payments to Fiscal Agent/Member Districts of SSA	-	100,000	80,143	19,857
0099	Other Intergovernmental Charges	693,215	708,215	689,329	18,886
6030	Total Expenditures	83,394,845	86,859,009	83,133,376	3,725,633
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	713,892	(655,409)	1,099,564	1,754,973
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	29,174	29,174	-
7915	Transfers In	-	425,523	462,909	37,386
8911	Transfers Out (Use)	-	-	(438,040)	(438,040)
7080	Total Other Financing Sources (Uses)	-	454,697	54,043	(400,654)
OTHER FINANCING SOURCES (USES):					
7919	Extraordinary Item - Resource	-	175,786	-	(175,786)
1200	Net Change in Fund Balances	713,892	(24,925)	1,153,607	1,178,532
0100	Fund Balance - September 1 (Beginning)	31,136,999	30,136,999	30,136,999	-
1300	Increase (Decrease) in Fund Balance	-	-	2,430,644	2,430,644
3000	Fund Balance - August 31 (Ending)	\$ 31,850,891	\$ 30,112,074	\$ 33,721,250	\$ 3,609,176

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

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.047254173%	0.0451575%	0.045748%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 24,564,196	\$ 24,855,801	\$ 14,627,732
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	33,650,759	35,084,192	20,805,798
Total	<u>\$ 58,214,955</u>	<u>\$ 59,939,993</u>	<u>\$ 35,433,530</u>
District's Covered Payroll	\$ 44,848,474	\$ 44,365,365	\$ 43,545,952
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	54.77%	56.03%	33.59%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.34%	82.17%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

FY 2017 Plan Year		FY 2016 Plan Year	FY 2015 Plan Year 2014		
0.0490027%		0.0527456%	0.03161%		
\$	18,517,405	\$	18,644,868	\$	8,444,136
24,920,877		23,289,869	18,734,703		
\$ 43,438,282		\$ 41,934,737	\$ 27,178,839		
\$	43,787,789	\$	42,319,177	\$	36,658,444
42.29%		44.06%	23.03%		
78.00%		78.43%	83.25%		

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 1,653,953	\$ 1,654,008	\$ 1,519,598
Contribution in Relation to the Contractually Required Contribution	1,653,953	1,654,008	1,519,598
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 48,848,474	\$ 47,736,256	\$ 44,365,365
Contributions as a Percentage of Covered Payroll	3.39%	3.46%	3.43%

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

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

2017	2016	2015	2014	
\$ 1,499,351	\$ 1,556,573	\$ 1,561,821	\$ 801,464	
1,499,351	1,556,573	1,561,821	801,464	
\$ -	\$ -	\$ -	\$ -	
\$ 43,545,952	\$ 43,787,789	\$ 42,319,177	\$ 36,658,444	
3.44%	3.55%	3.69%	2.19%	

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

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.071011206%	0.0662089%	0.0692736%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 33,582,069	\$ 33,058,726	\$ 30,124,471
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	44,623,059	36,601,566	32,550,412
Total	<u>\$ 78,205,128</u>	<u>\$ 69,660,292</u>	<u>\$ 62,674,883</u>
District's Covered Payroll	\$ 48,848,474	\$ 44,365,365	\$ 43,545,952
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	68.74%	74.51%	69.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

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

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

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

	2020	2019	2018
Contractually Required Contribution	\$ 503,983	\$ 504,518	\$ 411,882
Contribution in Relation to the Contractually Required Contribution	503,983	504,518	411,882
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 48,848,474	\$ 47,736,256	\$ 44,365,365
Contributions as a Percentage of Covered Payroll	1.03%	1.06%	0.93%

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

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

A. Notes to Budgetary Comparison Schedule- Exhibit G-1

Reconciliation of Budget to GAAP Basis

	General Fund
	<hr/>
Sources/Inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 86,203,600
Differences - budget to GAAP:	
None	-
	<hr/>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 86,203,600</u></u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 86,859,009
Differences - budget to GAAP:	
Expenditures for debt payments that are recognized for budgetary purposes but are reductions in liabilities for GAAP statements	-
Capital purchases that are expenditures for budgetary purposes but are additions to capital assets for GAAP statements	(485,788)
	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 86,373,221</u></u>

A. Notes to Schedules for the TRS Pension – Exhibit G-6

Changes of Benefit terms.

There were no changes of benefit terms that affected the measurement of the Total Pension liability during the measurement period.

Changes of Assumptions.

There were no changes in the actuarial assumptions used in the determination of the Total Pension liability during the measurement period.

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

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

B. Notes to Schedules for the TRS OPEB Plan – Exhibit G-8

Changes in Benefits.

There were no changes of benefit terms during the measurement period that affected the Total OPEB liability.

Changes in Assumptions.

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

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.

OTHER SUPPLEMENTARY INFORMATION

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

Data Control Codes		206	211	224	225
		ESEA	ESEA I, A	IDEA - Part B	IDEA - Part B
		Title X, Pt.C	Improving	Formula	Preschool
		TEXSHEP	Basic Program		
ASSETS					
1110	Cash and Cash Equivalents	\$ (7,437)	\$ (401,923)	\$ (229,596)	\$ (9,393)
1240	Due from Other Governments	8,000	458,495	332,592	15,452
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 563</u>	<u>\$ 56,572</u>	<u>\$ 102,996</u>	<u>\$ 6,059</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 3,854	\$ 6,028	\$ -
2160	Accrued Wages Payable	-	30,001	80,489	5,067
2170	Due to Other Funds	388	22,717	16,479	766
2180	Due to Other Governments	175	-	-	-
2300	Unearned Revenue	-	-	-	226
2000	Total Liabilities	<u>563</u>	<u>56,572</u>	<u>102,996</u>	<u>6,059</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 563</u>	<u>\$ 56,572</u>	<u>\$ 102,996</u>	<u>\$ 6,059</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Teacher and Principal	263 Title III, A English Lang. Acquisition	265 21st Century Grant	276 Title I - SIP Academy Grant	288 Magnet/ Apex	289 Other Federal Grants
\$ 2,916,378	\$ (2,689)	\$ (29,778)	\$ (10,736)	\$ (193,069)	\$ (27,234)	\$ (677,909)	\$ (201,779)
34,879	3,003	34,661	22,566	207,661	28,654	874,045	242,183
2,470	-	-	-	-	-	-	-
110,806	-	-	-	-	-	-	-
<u>\$ 3,064,533</u>	<u>\$ 314</u>	<u>\$ 4,883</u>	<u>\$ 11,830</u>	<u>\$ 14,592</u>	<u>\$ 1,420</u>	<u>\$ 196,136</u>	<u>\$ 40,404</u>
\$ 121,892	\$ -	\$ 2,400	\$ 10,712	\$ 4,308	\$ -	\$ 109,232	\$ 15,983
60,933	-	-	-	-	-	4,705	-
651,107	145	1,717	1,118	10,284	1,420	82,199	2,168
-	169	-	-	-	-	-	22,253
-	-	766	-	-	-	-	-
<u>833,932</u>	<u>314</u>	<u>4,883</u>	<u>11,830</u>	<u>14,592</u>	<u>1,420</u>	<u>196,136</u>	<u>40,404</u>
134,476	-	-	-	-	-	-	-
2,096,125	-	-	-	-	-	-	-
<u>2,230,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,064,533</u>	<u>\$ 314</u>	<u>\$ 4,883</u>	<u>\$ 11,830</u>	<u>\$ 14,592</u>	<u>\$ 1,420</u>	<u>\$ 196,136</u>	<u>\$ 40,404</u>

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

Data Control Codes		397 Advanced Placement Incentives	410 State Textbook Fund	427 Peace Office/CTE Certificate	429 Other State Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 10,931	\$ 295,209	\$ 7,387	\$ 131,501
1240	Due from Other Governments	-	-	-	40,724
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 10,931</u>	<u>\$ 295,209</u>	<u>\$ 7,387</u>	<u>\$ 172,225</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 165,805	\$ -	\$ 16,679
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	1,217
2180	Due to Other Governments	-	-	-	-
2300	Unearned Revenue	-	129,404	-	154,329
2000	Total Liabilities	<u>-</u>	<u>295,209</u>	<u>-</u>	<u>172,225</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	10,931	-	7,387	-
3000	Total Fund Balances	<u>10,931</u>	<u>-</u>	<u>7,387</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 10,931</u>	<u>\$ 295,209</u>	<u>\$ 7,387</u>	<u>\$ 172,225</u>

434 SSA - O&M	446 SSA - Vis. Impaired	460 Community Youth Development	461 Campus Activity Funds	480 Misc Local Grants	482 Moody Grants	484 Galveston Educational Foundation	486 Miscellaneous Donations Stipulations
\$ (6,746) 16,913 - -	\$ 2,498 2,426 - -	\$ (22,255) - 23,253 -	\$ 294,365 - - -	\$ 29,102 - - -	\$ 2,370,842 - - -	\$ 17,210 - 12,103 -	\$ 156,782 - - -
<u>\$ 10,167</u>	<u>\$ 4,924</u>	<u>\$ 998</u>	<u>\$ 294,365</u>	<u>\$ 29,102</u>	<u>\$ 2,370,842</u>	<u>\$ 29,313</u>	<u>\$ 156,782</u>
\$ - 10,129 - - -	\$ - 4,962 - - -	\$ - - - -	\$ 15,372 - 60,313 -	\$ - - - -	\$ 133,555 - - -	\$ 1,525 - - -	\$ 100,000 - - -
<u>10,129</u>	<u>4,962</u>	<u>-</u>	<u>75,685</u>	<u>896</u>	<u>133,555</u>	<u>44,724</u>	<u>100,000</u>
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>998</u>	<u>218,680</u>	<u>28,206</u>	<u>2,237,287</u>	<u>(15,411)</u>	<u>56,782</u>
<u>-</u>	<u>-</u>	<u>998</u>	<u>218,680</u>	<u>28,206</u>	<u>2,237,287</u>	<u>(15,411)</u>	<u>56,782</u>
<u>\$ 10,129</u>	<u>\$ 4,962</u>	<u>\$ 998</u>	<u>\$ 294,365</u>	<u>\$ 29,102</u>	<u>\$ 2,370,842</u>	<u>\$ 29,313</u>	<u>\$ 156,782</u>

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

Data Control Codes		499 Donations No Stipulations	Total Nonmajor Special Revenue Funds	679 CTE Renovations	Total Nonmajor Governmental Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 12,724	\$ 4,424,385	\$ -	\$ 4,424,385
1240	Due from Other Governments	-	2,322,254	-	2,322,254
1290	Other Receivables	-	37,826	-	37,826
1300	Inventories	-	110,806	-	110,806
1000	Total Assets	<u>\$ 12,724</u>	<u>\$ 6,895,271</u>	<u>\$ -</u>	<u>\$ 6,895,271</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 707,345	\$ -	\$ 707,345
2160	Accrued Wages Payable	-	196,286	-	196,286
2170	Due to Other Funds	-	852,038	-	852,038
2180	Due to Other Governments	-	22,597	-	22,597
2300	Unearned Revenue	-	328,820	-	328,820
2000	Total Liabilities	<u>-</u>	<u>2,107,086</u>	<u>-</u>	<u>2,107,086</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	134,476	-	134,476
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	12,724	4,653,709	-	4,653,709
3000	Total Fund Balances	<u>12,724</u>	<u>4,788,185</u>	<u>-</u>	<u>4,788,185</u>
4000	Total Liabilities and Fund Balances	\$ 12,724	\$ 6,895,271	\$ -	\$ 6,895,271

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

Data Control Codes	206 ESEA Title X, Pt.C TEXSHEP	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	65,816	2,201,446	1,558,381	73,480
5020 Total Revenues	65,816	2,201,446	1,558,381	73,480
EXPENDITURES:				
Current:				
0011 Instruction	13,828	1,216,575	1,209,701	73,480
0013 Curriculum and Instructional Staff Development	-	631,244	-	-
0021 Instructional Leadership	-	277,563	-	-
0023 School Leadership	-	3,015	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	348,680	-
0032 Social Work Services	-	71,163	-	-
0033 Health Services	-	1,886	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	51,988	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	65,816	2,201,446	1,558,381	73,480
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	148	4,291	8,140	202
8911 Transfers Out (Use)	(148)	(4,291)	(8,140)	(202)
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Teacher and Principal	263 Title III, A English Lang. Acquisition	265 21st Century Grant	276 Title I - SIP Academy Grant	288 Magnet/ Apex	289 Other Federal Grants
\$ 527,877	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
57,375	-	-	-	-	-	-	1,097,812
4,142,456	85,563	217,444	109,484	1,171,172	27,234	1,618,747	174,488
4,727,708	85,563	217,444	109,484	1,171,172	27,234	1,618,747	1,272,300
-	85,563	63,964	36,213	609,121	27,234	541,561	229,793
-	-	152,335	72,390	288,023	-	832,532	1,033,555
-	-	-	881	220,670	-	190,794	1,280
-	-	-	-	-	-	-	4,544
-	-	-	-	-	-	-	1,319
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,809
-	-	-	-	-	-	-	-
4,541,846	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,145	-	-	-	-	-
62,770	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	53,358	-	53,860	-
-	-	-	-	-	-	-	-
4,604,616	85,563	217,444	109,484	1,171,172	27,234	1,618,747	1,272,300
123,092	-	-	-	-	-	-	-
46,103	277	682	265	4,906	86	2,345	3,823
(46,103)	(277)	(682)	(265)	(4,906)	(86)	(2,345)	(3,823)
-	-	-	-	-	-	-	-
123,092	-	-	-	-	-	-	-
2,107,509	-	-	-	-	-	-	-
\$ 2,230,601	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Data Control Codes	397 Advanced Placement Incentives	410 State Textbook Fund	427 Peace Office/CTE Certificate	429 Other State Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	314	1,022,964	-	52,114
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	314	1,022,964	-	52,114
EXPENDITURES:				
Current:				
0011 Instruction	-	1,022,964	-	48,540
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	3,574
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	-	1,022,964	-	52,114
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	314	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	92
8911 Transfers Out (Use)	-	-	-	(92)
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	314	-	-	-
0100 Fund Balance - September 1 (Beginning)	10,617	-	7,387	-
3000 Fund Balance - August 31 (Ending)	\$ 10,931	\$ -	\$ 7,387	\$ -

434 SSA - O&M	446 SSA - Vis. Impaired	460 Community Youth Development	461 Campus Activity Funds	480 Misc Local Grants	482 Moody Grants	484 Galveston Educational Foundation	486 Miscellaneous Donations Stipulations
\$ 151,272	\$ 81,590	\$ 44,537	\$ 9,018	\$ 125,225	\$ 6,583,338	\$ 89,644	\$ 250
-	-	2,158	-	8,347	72,019	7,341	-
-	-	-	-	-	-	-	-
151,272	81,590	46,695	9,018	133,572	6,655,357	96,985	250
151,272	81,590	47,240	(236)	169,979	3,393,622	16,417	1,191
-	-	-	-	8,051	24,389	-	1,021
-	-	-	-	933	447,350	1,708	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	109,436	-	-
-	-	-	-	-	-	-	-
-	-	-	(9,829)	-	-	-	-
-	-	-	-	-	-	94,271	-
-	-	-	-	-	127,492	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	608,440	-	-
-	-	-	-	78	-	-	-
-	-	-	-	-	-	-	100,000
151,272	81,590	47,240	(10,065)	179,041	4,710,729	112,396	102,212
-	-	(545)	19,083	(45,469)	1,944,628	(15,411)	(101,962)
432	235	114	-	-	10,599	298	-
(432)	(235)	(114)	-	-	(10,599)	(298)	-
-	-	-	-	-	-	-	-
-	-	(545)	19,083	(45,469)	1,944,628	(15,411)	(101,962)
-	-	1,543	199,597	73,675	292,659	-	158,744
\$ -	\$ -	\$ 998	\$ 218,680	\$ 28,206	\$ 2,237,287	\$ (15,411)	\$ 56,782

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

Data Control Codes	499 Donations No Stipulations	Total Nonmajor Special Revenue Funds	679 CTE Renovations	Total Nonmajor Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 7,612,751	\$ -	\$ 7,612,751
5800 State Program Revenues	-	2,320,444	-	2,320,444
5900 Federal Program Revenues	-	11,445,711	-	11,445,711
5020 Total Revenues	-	21,378,906	-	21,378,906
EXPENDITURES:				
Current:				
0011 Instruction	-	9,039,612	-	9,039,612
0013 Curriculum and Instructional Staff Development	-	3,043,540	-	3,043,540
0021 Instructional Leadership	-	1,141,179	-	1,141,179
0023 School Leadership	-	7,559	-	7,559
0031 Guidance, Counseling, and Evaluation Services	-	349,999	-	349,999
0032 Social Work Services	-	71,163	-	71,163
0033 Health Services	-	3,695	-	3,695
0034 Student (Pupil) Transportation	-	109,436	-	109,436
0035 Food Services	-	4,541,846	-	4,541,846
0036 Extracurricular Activities	-	(9,829)	-	(9,829)
0041 General Administration	-	95,416	-	95,416
0051 Facilities Maintenance and Operations	-	190,262	-	190,262
0052 Security and Monitoring Services	-	3,574	-	3,574
0053 Data Processing Services	-	608,440	-	608,440
0061 Community Services	-	159,284	-	159,284
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	100,000	-	100,000
6030 Total Expenditures	-	19,455,176	-	19,455,176
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	1,923,730	-	1,923,730
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	83,038	-	83,038
8911 Transfers Out (Use)	-	(83,038)	(15,802)	(98,840)
7080 Total Other Financing Sources (Uses)	-	-	(15,802)	(15,802)
1200 Net Change in Fund Balance	-	1,923,730	(15,802)	1,907,928
0100 Fund Balance - September 1 (Beginning)	12,724	2,864,455	15,802	2,880,257
3000 Fund Balance - August 31 (Ending)	\$ 12,724	\$ 4,788,185	\$ -	\$ 4,788,185

GALVESTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2020

	748	771	772	773	
	District	Workers'		Flex	Total
	Owned	Compensation	Care Here	Spending	Internal
		Insurance			Service Funds
<hr/>					
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ -	\$ -	\$ 82,243	\$ -	\$ 82,243
Other Receivables	-	-	1,002	-	1,002
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	-	-	83,245	-	83,245
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES					
Current Liabilities:					
Accounts Payable	-	-	35,395	-	35,395
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	-	-	35,395	-	35,395
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET POSITION					
Unrestricted Net Position	\$ -	\$ -	\$ 47,850	\$ -	\$ 47,850
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Net Position	\$ -	\$ -	\$ 47,850	\$ -	\$ 47,850
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

GALVESTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

	748	771	772	773	
	District	Workers'		Flex	Total
	Owned	Compensation	Care Here	Spending	Internal
		Insurance			Service Funds
OPERATING REVENUES:					
Local and Intermediate Sources	\$ -	\$ -	\$ 174,103	\$ -	\$ 174,103
Total Operating Revenues	-	-	174,103	-	174,103
OPERATING EXPENSES:					
Professional and Contracted Services	-	-	528,156	-	528,156
Total Operating Expenses	-	-	528,156	-	528,156
Income (Loss) Before Transfers	-	-	(354,053)	-	(354,053)
Transfer In	-	-	355,000	-	355,000
Transfers Out	(20,572)	(425,523)	-	(1,012)	(447,107)
Change in Net Position	(20,572)	(425,523)	947	(1,012)	(446,160)
Total Net Position - September 1 (Beginning)	20,572	425,523	46,903	1,012	494,010
Total Net Position - August 31 (Ending)	\$ -	\$ -	\$ 47,850	\$ -	\$ 47,850

GALVESTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

	748	771	772	773	Total
	District	Workers'		Flex	Internal
	Owned	Compensation	Care Here	Spending	Service Funds
<u>Cash Flows from Operating Activities:</u>					
Cash Received from User Charges	\$ -	\$ -	\$ 174,103	\$ -	\$ 174,103
Cash Payments for Suppliers	-	-	(528,156)	-	(528,156)
Net Cash Used For Operating Activities	-	-	(354,053)	-	(354,053)
<u>Cash Flows from Non-Capital Financing Activities:</u>					
Operating Transfer Out	(20,572)	(425,523)	-	(1,012)	(447,107)
<u>Cash Flows from Capital & Related Financing Activities:</u>					
Capital Contributed by Other Funds	-	-	355,000	-	355,000
Net Increase (Decrease) in Cash and Cash Equivalents	(20,572)	(425,523)	947	(1,012)	(446,160)
Cash and Cash Equivalents at Beginning of Year	20,572	425,523	76,539	1,012	523,646
Cash and Cash Equivalents at End of Year	\$ -	\$ -	\$ 77,486	\$ -	\$ 77,486
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>					
<u>Used for Operating Activities:</u>					
Operating Income (Loss):	\$ -	\$ -	\$ (354,053)	\$ -	\$ (354,053)
Effect of Increases and Decreases in Current Assets and Liabilities:					
Decrease (increase) in Receivables	-	-	(1,002)	-	(1,002)
Increase (decrease) in Accounts Payable	-	-	1,002	-	1,002
Net Cash Used for Operating Activities	\$ -	\$ -	\$ (354,053)	\$ -	\$ (354,053)

T.E.A. REQUIRED SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ Various
2012	1.040000	0.125000	4,660,353,305
2013	1.040000	0.125000	4,986,602,403
2014	1.040000	0.125000	5,267,605,064
2015	1.060000	0.095000	5,544,074,372
2016	1.060000	0.095000	6,110,222,857
2017	1.060000	0.095000	6,744,449,177
2018	1.060000	0.095000	7,099,369,004
2019	1.060000	0.095000	7,308,451,169
2020 (School year under audit)	0.990000	0.095000	7,501,810,481
1000 TOTALS			

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 726,738	\$ -	\$ 46,538	\$ 4,987	\$ (80,069)	\$ 595,144
113,565	-	9,736	1,170	(2,033)	100,626
139,391	-	11,664	1,402	(2,021)	124,304
173,543	-	16,295	1,958	(2,261)	153,029
237,697	-	16,574	1,485	(21,477)	198,161
281,911	-	52,722	4,725	(6,328)	218,136
446,303	-	136,175	12,204	361	298,285
740,103	-	293,115	26,270	(19,815)	400,903
1,886,833	-	797,512	71,475	(136,614)	881,232
-	81,394,643	74,768,921	7,174,795	2,461,191	1,912,118
<u>\$ 4,746,084</u>	<u>\$ 81,394,643</u>	<u>\$ 76,149,252</u>	<u>\$ 7,300,471</u>	<u>\$ 2,190,934</u>	<u>\$ 4,881,938</u>

GALVESTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 695,000	\$ 600,000	\$ 527,877	\$ (72,123)
5800 State Program Revenues	475,000	50,000	57,375	7,375
5900 Federal Program Revenues	4,400,000	4,000,000	4,142,456	142,456
5020 Total Revenues	5,570,000	4,650,000	4,727,708	77,708
EXPENDITURES:				
Current:				
0035 Food Services	5,001,925	5,003,275	4,541,846	461,429
0051 Facilities Maintenance and Operations	537,661	536,299	62,770	473,529
6030 Total Expenditures	5,539,586	5,539,574	4,604,616	934,958
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	30,414	(889,574)	123,092	1,012,666
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	46,103	46,103
7961 Transfers Out (Use)	-	-	(46,103)	(46,103)
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balances	30,414	(889,574)	123,092	1,012,666
0100 Fund Balance - September 1 (Beginning)	-	2,107,509	2,107,509	-
3000 Fund Balance - August 31 (Ending)	\$ 30,414	\$ 1,217,935	\$ 2,230,601	\$ 1,012,666

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 7,519,954	\$ 7,450,000	\$ 7,254,616	\$ (195,384)
5800 State Program Revenues	70,378	83,000	56,312	(26,688)
5020 Total Revenues	7,590,332	7,533,000	7,310,928	(222,072)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	7,786,400	4,134,998	4,134,998	-
0072 Interest on Long-Term Debt	-	3,641,402	3,641,402	-
0073 Bond Issuance Cost and Fees	-	10,000	1,500	8,500
6030 Total Expenditures	7,786,400	7,786,400	7,777,900	8,500
1200 Net Change in Fund Balances	(196,068)	(253,400)	(466,972)	(213,572)
0100 Fund Balance - September 1 (Beginning)	-	5,238,716	5,003,767	(234,949)
1300 Increase (Decrease) in Fund Balance	-	-	234,950	234,950
3000 Fund Balance - August 31 (Ending)	\$ (196,068)	\$ 4,985,316	\$ 4,771,745	\$ (213,571)

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

MITCHELL T. FONTENOTE

CERTIFIED PUBLIC ACCOUNTANT, INC.

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

To the Board of Directors
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, the business-type activities, each major fund, and the aggregate remaining fund information of the Galveston Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Galveston Independent School District's basic financial statements, and have issued our report thereon dated December 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Galveston Independent School 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 Galveston Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Galveston Independent School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mitchell T Fontenote CPA, Inc.

Port Neches, Texas
December 15, 2020

MITCHELL T. FONTENOTE

CERTIFIED PUBLIC ACCOUNTANT, INC.

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

To the Board of Directors
Galveston Independent School District

Report on Compliance for Each Major Federal Program

We have audited the Galveston Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Galveston Independent School District's major federal programs for the year ended August 31, 2020. Galveston Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Galveston Independent School 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 Galveston Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Galveston Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

Report on Internal Control over Compliance

Management of the Galveston Independent School 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 Galveston Independent School 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 Galveston Independent School District's internal control over compliance.

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

Mitchell T Fontenote CPA, Inc.

Port Neches, Texas
December 15, 2020

GALVESTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 AUGUST 31, 2020

A. Summary of Auditor's Results

1 Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not
considered to be material weaknesses?

_____ Yes X None Reported

Noncompliance material to financial statements noted:

_____ Yes X No

2 Federal and State Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not
considered to be material weaknesses?

_____ Yes X None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with Uniform Guidance?

_____ Yes X None Reported

Identification of major federal and state programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.027	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: Federal \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

**B. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance
With *Generally Accepted Government Auditing Standards*.**

There are no findings to be reported.

C. Findings and Questioned Costs for Federal and State Awards.

There are no findings and questioned costs to be reported.

2019-001. RETAINAGE PAYABLE

Condition

The District has multiple construction projects in progress for which a liability for retainage was not recorded as of year end.

Corrective Action Plan

The District will work to ensure retainage payable is recorded on construction contracts.

2019-002. GRANT ACCRUALS

Condition

Prior to adjustment, accounts receivables within the District's federal special revenue funds did not reconcile to grant expenditures reports or the State payment ledger.

Corrective Action Plan

The District will continue to refine its processes over grants and reconcile year end accruals with the State payment ledger, grant expenditure reports, and the prior year general ledger activity.

2019-003. CASH MANAGEMENT – TITLE I

Condition

In reviewing cash management procedures, we noted the District requested funds in excess of expenditures made.

Corrective action plan

District staff developed a periodic monitoring process that provides for the reconciliation of expenditure reports to cumulative cash drawdowns, by grant, after each payroll. This should ensure that future cash draws are not over or under actual expenditures. The District's Director of Finance will be responsible for cash draw downs.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
ENTER NAME OF DEPARTMENT			
<u>Direct Programs</u>			
Magnet Schools Assistance Program	84.165A	U165A180033	\$ 1,618,747
Total Direct Programs			1,618,747
TOTAL ENTER NAME OF DEPARTMENT			1,618,747
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610141084902	4,857
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610141084902	2,196,589
Total CFDA Number 84.010A			2,201,446
*IDEA - Part B, Formula	84.027	206600010849026000	1,558,381
*IDEA - Part B, Preschool	84.173	206610010849026000	73,480
Total Special Education Cluster (IDEA)			1,631,861
Career and Technical - Basic Grant	84.048	20420006084902	85,563
ESEA, Title X, Part C -Homeless Children	84.196	204600057110035	65,816
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	206950267110019	1,171,172
Title III, Part A - English Language Acquisition	84.365A	20671001084902	109,484
ESEA, Title II, Part A, Teacher Principal Training	84.367A	2069450184902	19,177
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501084902	198,267
Total CFDA Number 84.367A			217,444
Title I SIP Academy Grant	84.377A	17610740084902	27,234
Title IV, Part A	84.424A	19680101084902	3,760
Title IV, Part A	84.424A	20680101084902	148,195
Total CFDA Number 84.424A			151,955
School Action Fund	84.010A	196101477110018	19,173
Total Passed Through State Department of Education			5,681,148
TOTAL U.S. DEPARTMENT OF EDUCATION			5,681,148
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	084-902	67,532
Total Passed Through Texas Dept of Human Services			67,532
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			67,532
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71402001	920,116
*National School Lunch Program - Cash Assistance	10.555	71302001	2,107,451
*National School Lunch Prog. - Non-Cash Assistance	10.555	71302001	277,320
Total CFDA Number 10.555			2,384,771
*Summer Feeding Program - Cash Assistance	10.559	20460009214	11,130
Total Child Nutrition Cluster			3,316,017
Child & Adult Care Food Program - Cash Assistance	10.558	20460009214	826,439
Total Passed Through the State Department of Agriculture			4,142,456
TOTAL U.S. DEPARTMENT OF AGRICULTURE			4,142,456

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 11,509,883</u></u>

*Clustered Programs

- For all Federal programs, the District uses the fund types specified in Texas Education Agency's ***Financial Accountability System Resource Guide***. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

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

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

- The period performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Supplement.
- CFDA numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.
- Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$412,966.

SCHOOLS FIRST QUESTIONNAIRE

Galveston Independent School District

Fiscal Year 2020

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	