

ANNUAL FINANCIAL REPORT

of the

**GALVESTON
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended
August 31, 2011

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
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INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

Galveston Independent School District
Name of School District

Galveston
County

084-902
Co. Dist. Number

We, the undersigned, clarify that the attached annual financial reports of the above named school district were reviewed and (check one) / approved _____ disapproved for the year ended August 31, 2011, at a meeting of the Board of Trustees of such school district on the 18 day of January 2012.

Carol Greaney-Wurst
Signature of Board Secretary

Keely Chandler
Signature of Board President

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

(attach list as necessary)

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Galveston Independent School District (the "District") as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Generally accepted accounting principles in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information 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

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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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The introductory section and combining fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining fund statements and schedules 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and schedule labeled unaudited 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.

*B*ELT *H*ARRIS *P*ECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 11, 2012

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

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended August 31, 2011

This discussion and analysis of Galveston Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2011. It should be read in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets at August 31, 2011 were \$84,966,333.
- For the fiscal year ended August 31, 2011, the District's general fund reported a total fund balance of \$37,550,556. The District's debt service fund reported a total fund balance of \$4,183,225.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$50,307,314.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2011

The government-wide statements report the District's net assets and how they have changed. Net assets are the difference between the District's assets and liabilities and are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base, staffing patterns, enrollment and attendance.

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

FUND FINANCIAL STATEMENTS

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

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

The District has the following kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Internal Services Funds* – Internal service funds account for services provided to other departments of the District on a cost reimbursement basis. The District uses these funds to account for the Group Health Insurance Fund, the Concession Fund and the Worker Compensation Insurance Fund. The District accumulates resources in the self insurance funds from all District funds whose expenditures include payments to employees. Normal expenses in the self insurance funds are expenses related to claims and

GALVESTON

INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2011

administrative expenses. The Concession Fund is financed through user fees paid by patrons of the District with any shortfall paid from District funds.

- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds and various trust funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net assets were \$84,966,333 at August 31, 2011. *Table 1* focuses on the net assets while *Table 2* shows the revenues and expenses that changed the net asset balance during the fiscal year ended August 31, 2011. *Table 1* indicates the District's net assets decreased \$11.3 million in total from the prior year. The details of this decrease can be seen in *Table 2*. The District experienced a drop in grants and contributions of \$24.9 million from 2010. In 2010, the District was awarded Hurricane Ike Disaster Relief amounts of \$9.6 million as a direct payment, as well as \$10.1 million in the form of a forgiveness of Chapter 41 recapture obligations.

Expenses increased by \$24.1 million in comparison to 2010. Instruction, plant maintenance and operations, and contracted instructional services experienced the largest increases over the prior year. Instructional expenses were higher due to additional grant funding, depreciation of the District's capital assets, and the rising costs of health insurance. Plant maintenance and operations were up due to increasing costs of utilities. Contracted instructional services between public schools represent Chapter 41 equalization of wealth payments to the State. These were forgiven in 2010 as a result of Hurricane Ike.

Table 1
Net Assets

Description	Governmental Activities		Total Change
	2011	2010	2011-2010
Current assets	\$ 64,488,445	\$ 74,285,584	\$ (9,797,139)
Capital assets	110,758,004	115,189,200	(4,431,196)
Total assets	175,246,449	189,474,784	(14,228,335)
Current liabilities	10,011,630	10,643,408	(631,778)
Long-term liabilities	80,268,486	82,531,752	(2,263,266)
Total liabilities	90,280,116	93,175,160	(2,895,044)
Net Assets:			
Invested in capital assets	30,489,518	32,657,448	(2,167,930)
Restricted	11,838,121	10,916,847	921,274
Unrestricted	42,638,694	52,725,329	(10,086,635)
Total net assets	\$ 84,966,333	\$ 96,299,624	\$ (11,333,291)

GALVESTON
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2011

Table 2
Changes in Net Assets

	Governmental Activities		Total Change
	2011	2010	2011-2010
Revenues:			
Program revenues:			
Charges for services	\$ 1,453,486	\$ 1,252,512	\$ 200,974
Operating grants and contributions	25,020,299	18,993,790	6,026,509
General revenues:			
Property taxes	52,050,513	47,746,960	4,303,553
Grants and contributions not restricted for specific programs	5,567,707	30,476,245	(24,908,538)
Investment earnings	253,408	156,035	97,373
Other revenue	758,629	1,345,695	(587,066)
Total Revenue	85,104,042	99,971,237	(14,867,195)
Expenses:			
Instruction	51,993,962	35,334,204	16,659,758
Instructional resources and media services	1,140,983	1,299,218	(158,235)
Curriculum/instructional staff development	3,093,502	2,883,969	209,533
Instructional leadership	1,931,770	1,418,331	513,439
School leadership	3,104,861	3,174,216	(69,355)
Guidance, counseling, evaluation services	1,881,079	1,910,166	(29,087)
Social work services	288,029	310,027	(21,998)
Health services	760,979	1,203,020	(442,041)
Student (pupil) transportation	2,775,896	2,085,117	690,779
Food services	4,100,421	3,178,682	921,739
Extracurricular activities	1,721,875	1,691,901	29,974
General administration	1,924,306	2,373,666	(449,360)
Plant maintenance and operations	7,952,751	6,563,217	1,389,534
Security and monitoring services	992,862	864,010	128,852
Data processing services	1,525,533	1,634,757	(109,224)
Community services	614,523	428,494	186,029
Debt service - interest	3,331,353	3,267,163	64,190
Contracted instructional services between public schools	4,727,828	-	4,727,828
Payments to shared service agreements	2,188,088	2,123,094	64,994
Payments to juvenile justice alternative education programs	49,489	61,012	(11,523)
Other intergovernment charges	337,243	444,304	(107,061)
Total Expenses	96,437,333	72,248,568	24,188,765
Change in Net Assets	(11,333,291)	27,722,669	(39,055,960)
Beginning net assets	96,299,624	68,576,955	27,722,669
Ending Net Assets	\$ 84,966,333	\$ 96,299,624	\$ (11,333,291)

GALVESTON
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2011

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2011, the District's combined governmental funds reported a fund balance of \$50,307,314. This compares to a combined fund balance of \$59,417,510 at August 31, 2010. The fund balance in the general fund decreased by \$6.2 million prior to transfers out to other funds of \$4.2 million. The decrease can be attributed to a drop in State funding as well the payment of Chapter 41 expenditures to the State. The Hurricane Ike Disaster Reimbursement Fund continued to have expenditures in 2011 related to the Hurricane. The debt service fund increased fund balance by \$1,014,150 due to property tax revenue exceeding debt service payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the period ended August 31, 2011, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's budgeted revenues exceeded actual revenues by \$5,412,708 as a result of a decrease in State Funding. Total general fund budgeted expenditures exceeded actual expenditures by \$3,133,713 with the largest positive variance in instruction.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2011, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2011, the District had a total of \$175,490,165 invested in capital assets such as land, construction in progress, buildings, and District equipment. This total includes \$2,251,685 invested during the fiscal year ended August 31, 2011.

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

Long-Term Debt

At year end, the District had \$72,600,000 in general obligation bonds outstanding versus \$74,065,000 last year. The District paid \$1,465,000 in principal payments during the year.

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

GALVESTON
INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended August 31, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's budgeted expenditures for the 2011-2012 school year total \$66,973,225 and the District's Board of Trustees adopted an M & O tax rate of \$1.040 and an I & S rate of \$0.125 for a combined rate of \$1.165.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Larry Nichols, Superintendent at P.O Box 660, Galveston, Texas 77553, or by calling (409) 766-5100.

BASIC FINANCIAL SECTION

GALVESTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS - EXHIBIT A-1

August 31, 2011

Data Control Codes		1	
			Governmental Activities
	<u>Assets</u>		
1110	Cash and cash equivalents	\$	39,259,184
1225	Property taxes receivables (net)		3,336,865
1240	Due from other governments		19,683,868
1290	Other receivables (net)		141,707
1300	Inventories		371,997
1410	Prepaid items		1,246,238
1420	Deferred charges		448,586
			<u>64,488,445</u>
	Capital assets:		
1510	Land		4,399,303
1520	Buildings and improvements, net		96,877,240
1530	Furniture and equipment, net		9,460,056
1580	Construction in progress		21,405
			<u>110,758,004</u>
1000	Total Assets		<u>175,246,449</u>
	<u>Liabilities</u>		
2110	Accounts payable		3,109,658
2140	Interest payable		307,657
2150	Payroll deductions payable		915,713
2165	Accrued liabilities		3,937,333
2180	Due to governments		1,693,848
2177	Due to fiduciary funds		5,000
2300	Unearned revenue		42,421
			<u>10,011,630</u>
	Noncurrent liabilities:		
2501	Long-term liabilities due within		
2501	one year		3,965,617
2502	Long-term liabilities due in more		
2502	than one year		76,302,869
2000	Total Liabilities		<u>90,280,116</u>
	<u>Net Assets</u>		
3200	Invested in capital assets, net		
3200	of related debt		30,489,518
	Restricted for:		
3850	Debt service		4,183,225
3870	Campus activities		239,594
3890	Food services		1,458,664
3890	Compensated absences		103,462
3890	Prepaid items		1,246,238
3890	Inventories		371,997
3890	Other purposes		4,234,941
3900	Unrestricted		42,638,694
3000	Total Net Assets	\$	<u>84,966,333</u>

See Notes to Financial Statements.

GALVESTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2011

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			3 Charges for Services	4 Operating Grants and Contributions	
					6 Primary Gov. Governmental Activities
	Primary Government				
	Governmental Activities				
11	Instruction	\$ 51,993,962	\$ 225,177	\$ 14,522,124	\$ (37,246,661)
12	Instructional resources				
12	and media services	1,140,983	-	198,560	(942,423)
13	Curriculum/instructional				
13	staff development	3,093,502	-	2,414,522	(678,980)
21	Instructional leadership	1,931,770	-	1,050,085	(881,685)
23	School leadership	3,104,861	-	162,099	(2,942,762)
31	Guidance, counseling,				
31	evaluation services	1,881,079	-	800,321	(1,080,758)
32	Social work services	288,029	-	84,037	(203,992)
33	Health services	760,979	-	358,422	(402,557)
34	Student (pupil) transportation	2,775,896	-	403,012	(2,372,884)
35	Food services	4,100,421	1,228,309	3,599,395	727,283
36	Extracurricular activities	1,721,875	-	-	(1,721,875)
41	General administration	1,924,306	-	9,059	(1,915,247)
51	Plant maintenance and operations	7,952,751	-	572,768	(7,379,983)
52	Security and monitoring services	992,862	-	4,535	(988,327)
53	Data processing services	1,525,533	-	147,895	(1,377,638)
61	Community services	614,523	-	447,793	(166,730)
72	Debt service - interest	3,331,353	-	-	(3,331,353)
91	Contracted instructional services				
91	between public schools	4,727,828	-	-	(4,727,828)
93	Payments to shared service agreements	2,188,088	-	245,672	(1,942,416)
95	Payments to juvenile justice				
95	alternative education programs	49,489	-	-	(49,489)
99	Other intergovernment charges	337,243	-	-	(337,243)
	Total Governmental Activities	<u>\$ 96,437,333</u>	<u>\$ 1,453,486</u>	<u>\$ 25,020,299</u>	<u>(69,963,548)</u>
TP	Total Primary Government	<u>\$ 96,437,333</u>	<u>\$ 1,453,486</u>	<u>\$ 25,020,299</u>	<u>(69,963,548)</u>
	General Revenues				
MT	Property taxes, levied for general purposes				46,449,974
DT	Property taxes, levied for debt service				5,600,539
SF	State aid - formula grants				4,306,420
GC	Grants not restricted				1,261,287
IE	Investment earnings				253,408
MI	Miscellaneous local and intermediate revenue				758,629
TR	Total General Revenues				<u>58,630,257</u>
CN	Change in Net Assets				<u>(11,333,291)</u>
NB	Beginning Net Assets				96,299,624
NE	Ending Net Assets				<u>\$ 84,966,333</u>

See Notes to Financial Statements.

GALVESTON INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2011

Data Control Codes		10	Hurricane Ike Disaster Reimbursement	50	Other Governmental Funds
		General		Debt Service	
	Assets:				
1110	Cash and cash equivalents	\$ 26,042,442	\$ 1,560	\$ 4,183,235	\$ 8,638,101
1220	Taxes receivables	4,292,165	-	454,312	-
1230	Allowance for uncollectible taxes	(1,304,062)	-	(105,550)	-
1240	Due from other governments	88,394	13,868,920	-	5,726,554
1260	Due from other funds	17,139,311	-	-	4,579
1290	Other receivables	24,521	-	-	117,186
1300	Inventories	303,762	-	-	68,235
1410	Prepaid items	1,239,926	-	-	6,312
1000	Total Assets	<u>\$ 47,826,459</u>	<u>\$ 13,870,480</u>	<u>\$ 4,531,997</u>	<u>\$ 14,560,967</u>
	Liabilities:				
2110	Accounts payable	\$ 452,623	\$ 1,560	\$ -	\$ 1,341,592
2150	Payroll deductions payable	915,713	-	-	-
2160	Accrued wages payable	2,599,964	-	-	1,333,039
2170	Due to other funds	1,625,652	13,868,920	10	3,270,382
2180	Due to other governments	1,693,848	-	-	-
2300	Deferred revenue	2,988,103	-	348,762	42,421
2000	Total Liabilities	<u>10,275,903</u>	<u>13,870,480</u>	<u>348,772</u>	<u>5,987,434</u>
	Fund Balances:				
	Nonspendable for:				
3410	Investments in inventory	303,762	-	-	68,235
3430	Prepaid items	1,239,926	-	-	6,312
	Restricted for:				
3450	Federal/State funds grant restrictions	-	-	-	1,458,664
3480	Debt service	-	-	4,183,225	-
3490	Other restrictions	-	-	-	7,040,322
	Committed for:				
3510	Disaster remediation/capital outlay	20,000,000	-	-	-
3600	Unassigned	16,006,868	-	-	-
3000	Total Fund Balances	<u>37,550,556</u>	<u>-</u>	<u>4,183,225</u>	<u>8,573,533</u>
4000	Total Liabilities and Fund Balances	<u>\$ 47,826,459</u>	<u>\$ 13,870,480</u>	<u>\$ 4,531,997</u>	<u>\$ 14,560,967</u>

See Notes to Financial Statements.

98
Total
Governmental
Funds

\$	38,865,338
	4,746,477
	(1,409,612)
	19,683,868
	17,143,890
	141,707
	371,997
	1,246,238
\$	<u>80,789,903</u>

\$	1,795,775
	915,713
	3,933,003
	18,764,964
	1,693,848
	3,379,286
	<u>30,482,589</u>

	371,997
	1,246,238

	1,458,664
	4,183,225
	7,040,322

	20,000,000
	16,006,868
	<u>50,307,314</u>

\$	<u>80,789,903</u>
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GALVESTON
INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS - EXHIBIT C-1R
August 31, 2011

Total fund balances for governmental funds \$ 50,307,314

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

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

Capital assets - non-depreciable	4,420,708	
Capital assets - depreciable	106,337,296	
	110,758,004	

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

3,336,865

Internal services funds are used by management to charge the costs of of certain capital assets to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets.

691,707

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest	(307,657)	
Deferred charges	448,586	
Non-current liabilities due in one year	(3,965,617)	
Non-current liabilities due in more than one year	(76,302,869)	
	(80,127,557)	

Net Assets of Governmental Activities

\$ 84,966,333

See Notes to Financial Statements.

GALVESTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS - EXHIBIT C-2

For the Year Ended August 31, 2011

Data Control Codes		10	Hurricane Ike Disaster Reimbursement	50 Debt Service	Other Governmental Funds
		General			
	Revenues				
5700	Local, intermediate, and out-of-state	\$ 47,488,526	\$ -	\$ 5,652,470	\$ 1,601,398
5800	State program revenues	4,306,420	-	-	1,893,372
5900	Federal program revenues	1,261,287	376,114	-	22,750,813
5020	Total Revenues	<u>53,056,233</u>	<u>376,114</u>	<u>5,652,470</u>	<u>26,245,583</u>
	Expenditures				
0011	Instruction	28,913,916	-	-	14,816,864
0012	Instruction resources	690,417	-	-	205,423
0013	Curriculum and instructional	676,063	-	-	2,417,439
0021	Instructional leadership	881,340	-	-	1,050,430
0023	School leadership	2,942,762	-	-	162,099
0031	Guidance, counseling, evaluation	1,080,758	-	-	800,321
0032	Social work services	203,992	-	-	84,037
0033	Health services	402,557	-	-	358,422
0034	Student (pupil) transportation	2,170,394	-	-	403,012
0035	Food services	-	-	-	3,997,862
0036	Extracurricular activities	1,643,666	-	-	36,501
0041	General administration	1,856,114	-	-	64,303
0051	Plant maintenance and operations	7,623,630	-	-	196,654
0052	Security and monitoring services	838,246	-	-	4,535
0053	Data processing services	1,049,398	-	-	147,895
0061	Community services	153,911	-	-	460,612
	Debt service:				
0071	Principal	810,571	-	1,430,000	-
0072	Interest	102,885	-	3,208,320	-
	Capital outlay:				
0081	Facilities acquisition and construction	208,671	989,200	-	373,598
	Intergovernmental:				
0091	Contracted instructional services				
0091	between public schools	4,727,828	-	-	-
0093	Payments to shared service arrangements	1,942,416	-	-	245,672
0095	Payments to juvenile justice alternative				
0095	education programs	49,489	-	-	-
0099	Other governmental charges	337,243	-	-	-
6030	Total Expenditures	<u>59,306,267</u>	<u>989,200</u>	<u>4,638,320</u>	<u>25,825,679</u>
1100	Excess (Deficiency) of Revenues				
	Over (Under) Expenditures	<u>(6,250,034)</u>	<u>(613,086)</u>	<u>1,014,150</u>	<u>419,904</u>
	Other Financing Sources (Uses)				
7915	Transfers in	3,392	613,086	-	6,569
8911	Transfers (out)	(4,294,216)	-	-	(9,961)
7080	Total Other Financing Sources (Uses)	<u>(4,290,824)</u>	<u>613,086</u>	<u>-</u>	<u>(3,392)</u>
1200	Net Change in Fund Balances	(10,540,858)	-	1,014,150	416,512
0100	Beginning Fund Balances	48,091,414	-	3,169,075	8,157,021
3000	Ending Fund Balances	<u>\$ 37,550,556</u>	<u>\$ -</u>	<u>\$ 4,183,225</u>	<u>\$ 8,573,533</u>

See Notes to Financial Statements.

98	
Total	
Governmental	
Funds	
<hr/>	
\$	54,742,394
	6,199,792
	24,388,214
	<hr/>
	85,330,400
	<hr/>
	43,730,780
	895,840
	3,093,502
	1,931,770
	3,104,861
	1,881,079
	288,029
	760,979
	2,573,406
	3,997,862
	1,680,167
	1,920,417
	7,820,284
	842,781
	1,197,293
	614,523
	2,240,571
	3,311,205
	1,571,469
	4,727,828
	2,188,088
	49,489
	337,243
	<hr/>
	90,759,466
	<hr/>
	(5,429,066)
	<hr/>
	623,047
	(4,304,177)
	<hr/>
	(3,681,130)
	<hr/>
	(9,110,196)
	59,417,510
	<hr/>
\$	50,307,314
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GALVESTON
INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - EXHIBIT C-3*
For the Year Ended August 31, 2011

Net changes in fund balances - total governmental funds	\$ (9,110,196)
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Depreciation	(6,682,881)
Capital outlay	2,251,685

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(226,358)
--	-----------

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal repayments	2,115,870
Accrued interest	21,241
Amortization of deferred charges	(64,084)
Amortization of premiums	44,313
Change in compensated absences	103,083

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	214,036
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Change in Net Assets of Governmental Activities	\$ <u>(11,333,291)</u>
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See Notes to Financial Statements.

GALVESTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET ASSETS PROPRIETARY FUNDS - EXHIBIT D-1

August 31, 2011

Data Control Codes		Internal Service Fund
	<u>Assets</u>	
1110	Cash and cash equivalents	\$ 393,846
	Receivables	
1260	Due from other funds	1,616,074
1000	Total Assets	<u>2,009,920</u>
	<u>Liabilities</u>	
	Current liabilities:	
2110	Accounts payable	1,181,333
2160	Accrued wages payable	4,330
2200	Accrued expenditures/expenses	132,550
2000	Total Liabilities	<u>1,318,213</u>
	<u>Net Assets</u>	
3900	Unrestricted net assets	691,707
4000	Total Net Assets	<u>\$ 691,707</u>

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS - EXHIBIT D-2
For the Year Ended August 31, 2011

<u>Data Control Dates</u>		<u>Internal Service Fund</u>
	<u>Operating Revenues</u>	
5700	Local and intermediate sources	\$ 4,265,870
5800	State program revenues	708
5020	Total Operating Revenues	<u>4,266,578</u>
	<u>Operating Expenses</u>	
6100	Payroll costs	41,964
6200	Professional and contracted services	7,674,258
6300	Supplies and materials	15,307
6400	Other operating costs	2,143
6030	Total Expenses	<u>7,733,672</u>
	Operating Income (Loss)	(3,467,094)
	<u>Non-operating Revenues (Expenses)</u>	
7915	Transfers in	3,681,130
	Total Non-operating Revenues (Expenses)	<u>3,681,130</u>
1200	Change in Net Assets	214,036
0100	Beginning Net Assets	<u>477,671</u>
3000	Ending Net Assets	<u>\$ 691,707</u>

See Notes to Financial Statements.

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - EXHIBIT D-3
For the Year Ended August 31, 2011

	<u>Internal Service Funds</u>
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 1,291,689
Cash payments to employees	(41,309)
Cash payments to suppliers for goods and services	(6,676,701)
Net Cash Provided (Used) by Operating Activities	<u>(5,426,321)</u>
<u>Cash Flows from Non-Operating Activities</u>	
Transfer in	3,681,130
Net Cash Provided by Non-Operating Activities	<u>3,681,130</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,745,191)
Beginning Cash and Cash Equivalents	<u>2,139,037</u>
Ending Cash and Cash Equivalents	<u>\$ 393,846</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating (loss)	\$ (3,467,094)
Increase (Decrease) in:	
(Increase) decrease in due from other funds	(1,593,811)
Increase (decrease) in due to other funds	(1,381,078)
Increase (decrease) in accounts payable	1,015,007
Increase (decrease) in accrued wages payable	655
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,426,321)</u>

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - EXHIBIT E-1

August 31, 2011

	<u>Trust</u>	<u>Student Activity Account</u>
Assets:		
Cash and cash equivalents	\$ 169,546	\$ 253,615
Due from other funds	-	5,000
Restricted assets	749,350	-
Total Assets	<u><u>\$ 918,896</u></u>	<u><u>\$ 258,615</u></u>
Liabilities:		
Current liabilities:		
Due to student groups	\$ -	\$ 258,615
Unearned revenue	-	-
Total Liabilities	<u><u>-</u></u>	<u><u>\$ 258,615</u></u>
Net Assets:		
Held in trust	918,896	
Total Liabilities and Net Assets	<u><u>\$ 918,896</u></u>	

See Notes to Financial Statements.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - EXHIBIT E-2
For the Year Ended August 31, 2011

	<u>Trust</u>
<u>Additions</u>	
Investment income	\$ 43,148
Total Additions	<u>43,148</u>
<u>Deductions</u>	
Benefits	8,694
Total Deductions	<u>8,694</u>
Changes in Net Assets	34,454
Beginning Net Assets	<u>883,055</u>
Ending Net Assets	<u><u>\$ 917,509</u></u>

See Notes to Financial Statements.

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended August 31, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the District as a whole. These statements include all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2011

requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds, if applicable, are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

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

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Funds

The capital projects funds are used to account for the resources that are restricted, committed, or assigned to expenditures for capital outlay. The capital projects fund is considered a nonmajor fund for reporting purposes.

Special Revenue Funds

The special revenue funds are used to account for proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Most federal and some state financial assistance is accounted for in a special revenue fund. Sometimes, balances must be returned to the grantor at the close of specified project periods.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's business-type activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2011

revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow Generally Accepted Accounting Principles (GAAP) prescribed by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the District accounts for its proprietary funds as presented by GASB.

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

Internal Service Funds

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

Fiduciary Funds

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

Agency Funds

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

Trust Funds

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Government-wide and proprietary equity consists of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2011

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus which is the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. An accompanying schedule is presented to reconcile and explain the differences in fund balance and changes in fund balances as presented in these statements to the net assets and changes in net assets as presented in the government-wide financial statements.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current period.

Property taxes and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the District and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on long-term debt, which is recognized when due.

D. Assets, Liabilities, and Net Assets or Fund Equity

1. Deposits and Investments

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

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

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

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

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2011

2. Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statement.

Advances between funds are offset by an assigned fund balance account in an applicable governmental fund to indicate that they are not available for appropriation and are not expendable, available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

Property Taxes

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

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

3. Prepaid Items

Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

GALVESTON

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2011

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

Asset Description	Estimated Useful Life
Buildings and improvements	20 to 40 years
Vehicles	2 to 15 years
Equipment	3 to 15 years

5. Long-Term Obligations

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

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

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

6. Fund Equity

Fund balances of governmental funds are classified as follows:

Nonspendable fund balance — represents amounts that cannot be spent because they are either in nonspendable form (such as inventory or prepaid insurance) or are legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance — represents amounts that are constrained by external parties, constitutional provisions, or by enabling legislation.

Committed fund balance — represents amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint. The commitment must be made prior to year end.

Assigned fund balance — represents amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Assignments can be made at any time.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2011

Unassigned fund balance — represents amounts that are available for any purpose. Positive amounts are reported only in the general fund. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed, then assigned funds, and finally unassigned funds.

7. Estimates

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

8. Data Control Codes

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. Expenditures in Excess of Appropriations

The general fund had expenditures in excess of ten percent for function 93, payments to shared service arrangements as of August 31, 2011.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2011

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of August 31, 2011, the District had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>
Moody National Bank - Money Market	N/A	\$ 18,438,447
Moody National Bank - Certificate of Deposit	10/3/2011	42,026
Moody National Bank - Certificate of Deposit	6/8/2012	50,008
BBVA Compass Bank - Certificate of Deposit	8/31/2014	12,051
MBIA - Texas CLASS Investment Pool General Fund	N/A	19,759,233
MBIA - Texas CLASS Investment Pool Debt Service Fund	N/A	1,275,477
MBIA - Texas CLASS Investment Pool Construction Fund	N/A	1,033,459
		<u>\$ 40,610,701</u>

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires funds on deposit at the depository bank to be collateralized. As of August 31, 2011, checking and time deposits were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2011

B. Capital Assets

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

Governmental Activities:	Beginning Balances	Increases	(Decreases)	Ending Balances
Capital assets not being depreciated:				
Land	\$ 4,399,303	\$ -	\$ -	\$ 4,399,303
Construction in progress	1,406,062	297,190	(1,681,847)	21,405
Total capital assets not being depreciated	<u>5,805,365</u>	<u>297,190</u>	<u>(1,681,847)</u>	<u>4,420,708</u>
Other capital assets:				
Buildings and improvements	152,435,732	955,685	-	153,391,417
Furniture and equipment	7,550,579	1,904,619	-	9,455,198
Vehicles	2,791,790	664,639	-	3,456,429
Library books	2,451,429	111,399	-	2,562,828
Land improvements	2,203,585	-	-	2,203,585
Total other capital assets	<u>167,433,115</u>	<u>3,636,342</u>	<u>-</u>	<u>171,069,457</u>
Less accumulated depreciation for:				
Buildings and improvements	(51,212,382)	(5,337,700)	-	(56,550,082)
Furniture and equipment	(4,010,519)	(765,776)	-	(4,776,295)
Vehicles	(645,493)	(327,039)	-	(972,532)
Library books	(20,429)	(245,143)	-	(265,572)
Land improvements	(2,160,457)	(7,223)	-	(2,167,680)
Total accumulated depreciation	<u>(58,049,280)</u>	<u>(6,682,881)</u>	<u>-</u>	<u>(64,732,161)</u>
Other capital assets, net	<u>109,383,835</u>	<u>(3,046,539)</u>	<u>-</u>	<u>106,337,296</u>
Totals	<u>\$ 115,189,200</u>	<u>\$ (2,749,349)</u>	<u>\$ (1,681,847)</u>	<u>\$ 110,758,004</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2011

Depreciation was charged to governmental functions as follows:

	<u>Governmental Activities</u>
11 Instruction	\$ 5,476,304
12 Instruction resources	245,143
34 Instructional resources and media services	202,490
35 Curriculum and instructional staff development	102,559
36 Extracurricular activities	41,708
41 General administration	3,889
51 Plant maintenance and operations	132,467
52 Security and monitoring services	150,081
53 Data processing services	328,240
Total Depreciation Expense	<u>\$ 6,682,881</u>

C. Long-Term Debt

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

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Bonds payable:					
Series 2003 3.60 - 4.00%	\$ 5,945,000	\$ -	\$ (65,000)	\$ 5,880,000	\$ 1,885,000
Series 2004 2.00 - 4.75%	63,080,000	-	(1,365,000)	61,715,000	1,410,000
Series 2008 4.20 - 4.38%	5,040,000	-	(35,000)	5,005,000	-
	<u>74,065,000</u>	<u>-</u>	<u>(1,465,000)</u>	<u>72,600,000</u>	<u>\$ 3,295,000</u>
Notes payable:					
State Energy	2,905,706	-	(650,870)	2,254,836	670,617
FEMA	5,000,000	-	-	5,000,000	-
	<u>7,905,706</u>	<u>-</u>	<u>(650,870)</u>	<u>7,254,836</u>	<u>670,617</u>
Other liabilities:					
Compensated absences	206,545	194,474	(297,557)	103,462	-
Unamortized premium	354,501	-	(44,313)	310,188	-
Total Governmental Activities	<u>\$ 82,531,752</u>	<u>\$ 194,474</u>	<u>\$ (2,457,740)</u>	<u>\$ 80,268,486</u>	<u>\$ 3,965,617</u>
Long-term liabilities due in more than one year				<u>\$ 76,302,869</u>	

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

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2011

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

Bonds Payable

Year Ended Aug 31	Principal	Interest	Total Requirements
2012	\$ 3,295,000	\$ 3,129,771	\$ 6,424,771
2013	3,415,000	3,011,024	6,426,024
2014	3,545,000	2,881,159	6,426,159
2015	3,890,000	2,726,981	6,616,981
2016	4,070,000	2,546,931	6,616,931
2017-2021	18,985,000	10,044,863	29,029,863
2022-2026	20,610,000	5,719,906	26,329,906
2027-2029	14,790,000	1,018,350	15,808,350
	<u>\$ 72,600,000</u>	<u>\$ 31,078,985</u>	<u>\$ 103,678,985</u>

Notes Payable

Year Ended Aug 31	Principal	Interest	Total Requirements
2012	\$ 670,617	\$ 116,398	\$ 787,015
2013	690,963	77,302	768,265
2014	5,893,356	38,948	5,932,304
	<u>\$ 7,254,936</u>	<u>\$ 232,648</u>	<u>\$ 7,487,584</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2011

D. Interfund Transactions

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

	<u>Due From Other Funds</u>
General Fund	
Hurricane Ike	\$ 13,868,920
Debt service	10
Other governmental funds	<u>3,270,381</u>
Total General Fund	<u><u>17,139,311</u></u>
Other Governmental Funds	
General fund	<u>4,579</u>
Total Other Governmental Funds	<u><u>4,579</u></u>
Internal Service funds	
General fund	<u>1,616,074</u>
Total Internal Service Fund	<u><u>1,616,074</u></u>
Fiduciary Fund-Student Activity	
General fund	<u>5,000</u>
Total Fiduciary Fund-Student Activity	<u><u>5,000</u></u>
Total	<u><u>\$ 18,764,964</u></u>

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

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund		
	Internal Service Fund	\$ 3,681,130
	Hurricane Ike	613,086
Other Governmental Funds		
	General Fund	3,392
	Other Governmental Funds	<u>6,569</u>
	Total	<u><u>\$ 4,304,177</u></u>

IV. OTHER INFORMATION

A. Risk Management

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

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2011

B. Contingent Liabilities

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

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

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. Although the District does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

C. Pension Plan

Teacher Retirement System

Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and Required Supplementary Information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

Funding Policy

Under provisions in State law, plan members are required to contribute 6.644 percent of their annual covered salary and the State of Texas contributes an amount equal to 6.58 percent of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2011, 2010, and 2009 were \$2,584,625, \$2,680,138, and \$2,835,312, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2011

grants and from the District for salaries above the statutory minimum for the years ending August 31, 2011, 2010, and 2009 were \$783,663, \$613,851, and \$793,186, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$2,200,708 for the year ending August 31, 2011.

D. Retiree Health Care Plan

Plan Description

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

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0 percent and 0.65 percent of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55 percent for fiscal years 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25 percent or greater than 0.75 percent of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$63,980, \$54,904, and \$52,565, respectively; the active member contributions were \$262,501, \$272,199, and \$287,961, respectively; and the District's contributions were \$222,116, \$230,322, and \$243,660, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas 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, 2011, 2010, and 2009, the subsidy payments received by TRS-Care on behalf of the District were \$93,304, \$104,095, and \$98,642, respectively.

E. Employee Health Care Coverage

During the year ended August 31, 2011, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependants. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas

GALVESTON

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2011

Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2012 and terms of coverage and premiums costs are included in the contractual provisions.

F. Workers' Compensation Insurance

The District meets its statutory workers compensation insurance requirements through a self-funded workers' compensation insurance program. The District's workers' compensation 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. As a self-funded member of the Fund, the District is solely responsible for all claims costs, both reported and unreported. The Fund provides administrative service to its self-funded members including claims administration and customer service.

Liabilities of the Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers claims in excess of \$1,000,000 per occurrence from Safety National Insurance Company. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverage for the past four years.

The following year by year exposure details the number of annual claims:

Fiscal Year	Number of Claims
2001-02	58
2002-03	65
2003-04	64
2004-05	67
2005-06	64
2006-07	62
2007-08	63
2008-09	58
2009-10	60
2010-11	51
10 Year Average	61

GALVESTON

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2011

Changes in the balances of claims liabilities during the past three years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claims Payment</u>	<u>End of Year Accrual</u>
2009	\$ 318,014	\$ 94,057	\$ 141,977	\$ 270,094
2010	\$ 270,094	\$ 92,145	\$ 250,175	\$ 112,064
2011	\$ 112,064	\$ 99,449	\$ 78,963	\$ 132,550

G. Unemployment Compensation

During the year ended August 31, 2011, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated therefore, there is no need for specific or aggregate stop loss coverage for the unemployment compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan 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, 2010, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

H. Shared Services Arrangements

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

The District is the fiscal agent for the Target Tech in Texas (B) Collaborative Grant. The primary goal of this grant is designed to assist every student in crossing the digital divide by ensuring that every student is technologically literate by the end of the eighth grade and to encourage the effective integration of technology through teacher training and curriculum development to establish successful research based instructional methods.

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

GALVESTON

INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2011

Visually Impaired Program - Fund 446

Member Districts

La Marque ISD	\$ 33,666
Texas City ISD	11,222
Galveston ISD	11,222
Total	<u><u>\$ 56,110</u></u>

Supplemental Visually Impaired for Special Education - Fund 434

Member Districts

Dickinson ISD	\$ 8,040
Texas City ISD	8,040
Galveston ISD	12,059
Friendswood ISD	12,059
Total	<u><u>\$ 40,198</u></u>

Target Technology in Texas (T3) Collaborative Grant - Fund 361

Member Districts

Galveston ISD	<u><u>\$ 676,251</u></u>
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I. Hurricane Ike

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

Damage to the District's facilities was extensive, amounting to approximately \$45,000,000. The District expects to receive approximately \$8,200,000 in insurance proceeds. FEMA has already paid the District approximately \$17,000,000 under various grant programs and another 14,000,000 is anticipated based on expenses incurred to date. However, some additional expenses have yet to be incurred. It is anticipated that the Federal Emergency Management Agency (FEMA) will pay only 90 percent of expenses incurred, less insurance proceeds. The remaining 10 percent shall be covered by the District. While many of these expenditures incurred by the District are expected to be reimbursed by FEMA, it has been the experience of other local governments in the area that application of policies and procedures has varied and the exact amount that will be recovered is unknown. In addition, as costs are still being incurred the exact cost cannot be determined. The Department of Homeland Security has begun to review the State of Texas' and FEMA's handling of other government's claims and have been critical of the handling of these agencies, such reviews could additionally impact the amount received by the District. Management of the District has estimated the damages incurred, the insurance proceeds remaining, and the amounts it anticipates to recover from FEMA. However, the amount ultimately expended by the District, received from insurance proceeds, and paid by FEMA could vary significantly.

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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended August 31, 2011

J. Subsequent Event

In December of 2011, the District issued \$8,814,998.50 of unlimited tax refunding bonds, series 2011. Proceeds of the bonds were used to partially refund unlimited tax school house bonds, series 2004 in the amount of \$8,815,000 and pay costs of issuance.

REQUIRED SUPPLEMENTARY INFORMATION

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND - EXHIBIT G-1
For the Year Ended August 31, 2011

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget
		Original	Final		
	<u>Revenues</u>				
5700	Local and intermediate sources	\$ 47,152,831	\$ 47,152,831	\$ 47,488,526	\$ 335,695
5800	State program revenues	10,466,110	10,466,110	4,306,420	(6,159,690)
5900	Federal program revenues	850,000	850,000	1,261,287	411,287
5020	Total Revenues	58,468,941	58,468,941	53,056,233	(5,412,708)
	<u>Expenditures</u>				
0011	Instruction	31,864,400	31,258,874	28,913,916	2,344,958
0012	Instruction resources	706,980	706,980	690,417	16,563
0013	Curriculum and instructional	702,018	715,263	676,063	39,200
0021	Instructional leadership	906,424	887,754	881,340	6,414
0023	School leadership	2,936,957	2,942,777	2,942,762	15
0031	Guidance, counseling, evaluation	1,379,012	1,303,003	1,080,758	222,245
0032	Social work services	206,648	206,648	203,992	2,656
0033	Health services	340,207	421,342	402,557	18,785
0034	Student (pupil) transportation	1,945,711	2,439,707	2,170,394	269,313
0035	Food services	373,500	-	-	-
0036	Extracurricular activities	1,883,725	1,644,612	1,643,666	946
0041	General administration	2,115,694	2,070,979	1,856,114	214,865
0051	Plant maintenance and operations	6,380,253	7,764,432	7,623,630	140,802
0052	Security and monitoring services	939,241	838,832	838,246	586
0053	Data processing services	1,139,726	1,182,771	1,049,398	133,373
0061	Community services	157,484	157,484	153,911	3,573
	Debt service:				
0071	Principal	741,000	661,105	810,571	(149,466)
0072	Interest	-	262,586	102,885	159,701
	Capital outlay:				
0081	Facilities acquisition and construction	900,000	279,831	208,671	71,160
	Intergovernmental:				
0091	Contracted instructional services	3,800,000	3,854,096	4,727,828 *	(873,732)
0093	Payments to shared service arrangements	2,508,000	2,353,904	1,942,416	411,488
0095	Payments to juvenile justice alternative				
0095	education programs	90,000	50,000	49,489	511
0099	Other governmental charges	421,000	437,000	337,243	99,757
6030	Total Expenditures	62,437,980	62,439,980	59,306,267	3,133,713
1100	Excess (Deficiency) of Revenues				
	Over(Under) Expenditures	(3,969,039)	(3,971,039)	(6,250,034)	(2,278,995)
	<u>Other Financing Sources (Uses)</u>				
7915	Transfers in	-	-	3,392	3,392
8911	Transfers (out)	-	-	(4,294,216)	(4,294,216)
7080	Total Other Financing Sources (Uses)	-	-	(4,290,824)	(4,290,824)
1200	Net Change in Fund Balance	(3,969,039)	(3,971,039)	(10,540,858)	(6,569,819)
0100	Beginning Fund Balance	48,091,414	48,091,414	48,091,414	-
3000	Ending Fund Balance	\$ 44,122,375	\$ 44,120,375	\$ 37,550,556	\$ (6,569,819)

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations.

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***OTHER SUPPLEMENTARY
INFORMATION***

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 1 of 5)
August 31, 2011

Data Control Codes		Special Revenue Funds			
		206 ESEA Title X Part C Homeless Children	211 Part A Improving Basic Prog	224 IDEA-B Formula	225 IDEA-B Preschool
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 7,363	\$ -
1240	Due from other governments	58,195	687,030	288,689	9,858
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 58,195</u>	<u>\$ 687,030</u>	<u>\$ 296,052</u>	<u>\$ 9,858</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ 24,454	\$ 94,368	\$ 2,633	\$ -
2160	Accrued wages payable	-	119,574	112,481	3,515
2170	Due to other funds	33,741	473,088	173,575	6,343
2300	Deferred revenue	-	-	7,363	-
2000	Total Liabilities	<u>58,195</u>	<u>687,030</u>	<u>296,052</u>	<u>9,858</u>
	<u>Fund Balances</u>				
	Nonspendable for:				
3410	Investments in inventory	-	-	-	-
3430	Prepaid items	-	-	-	-
	Restricted for:				
3450	Food service	-	-	-	-
3490	Other restrictions	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 58,195</u>	<u>\$ 687,030</u>	<u>\$ 296,052</u>	<u>\$ 9,858</u>

Special Revenue Funds					
240	243	244	255	258	262
National School Breakfast and Lunch Program	Career and Technical	Career and Technical Basic	ESEA Title II Part A Training	Public Charter Schools	Title II Part D Enhancing Education
\$ 2,282,445	\$ -	\$ -	\$ -	\$ -	\$ -
251,524	-	16,144	308,789	87,177	10,687
4,079	-	-	-	-	-
-	-	968	-	2,490	-
68,235	-	-	-	-	-
6,312	-	-	-	-	-
<u>\$ 2,612,595</u>	<u>\$ -</u>	<u>\$ 17,112</u>	<u>\$ 308,789</u>	<u>\$ 89,667</u>	<u>\$ 10,687</u>
\$ 262,941	\$ -	\$ 10,377	\$ 28,931	\$ 15,153	\$ -
99,144	-	-	18,144	-	-
-	-	6,735	261,714	74,514	10,687
-	-	-	-	-	-
<u>362,085</u>	<u>-</u>	<u>17,112</u>	<u>308,789</u>	<u>89,667</u>	<u>10,687</u>
68,235	-	-	-	-	-
6,312	-	-	-	-	-
1,458,664	-	-	-	-	-
717,299	-	-	-	-	-
<u>2,250,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,612,595</u>	<u>\$ -</u>	<u>\$ 17,112</u>	<u>\$ 308,789</u>	<u>\$ 89,667</u>	<u>\$ 10,687</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 5)
August 31, 2011

Data Control Codes		Special Revenue Funds			
		263	265	266	273
		Title III ELA	21st Century Grant	ARRA of 2009 Title XIV State Fiscal Stabilization	Mathematics and Science Partnerships
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from other governments	920	211,482	337,131	46,257
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 920</u>	<u>\$ 211,482</u>	<u>\$ 337,131</u>	<u>\$ 46,257</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ -	\$ 137,869	\$ -	\$ 1,379
2160	Accrued wages payable	-	-	-	7,715
2170	Due to other funds	920	73,613	337,131	37,163
2300	Deferred revenue	-	-	-	-
2000	Total Liabilities	<u>920</u>	<u>211,482</u>	<u>337,131</u>	<u>46,257</u>
	<u>Fund Balances</u>				
	Nonspendable for:				
3410	Investments in inventory	-	-	-	-
3430	Prepaid items	-	-	-	-
	Restricted for:				
3450	Food service	-	-	-	-
3490	Other restrictions	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 920</u>	<u>\$ 211,482</u>	<u>\$ 337,131</u>	<u>\$ 46,257</u>

Special Revenue Funds					
279	280	281	282	283	284
Title II Part D Education	ESEA Title X Part C Educating Homeless	Advanced Placement	Community Youth Development	IDEA Part B Formula ARRA	IDEA Part B Preschool ARRA
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20,995	-	111,932	160,885	147,089	7,077
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 20,995</u>	<u>\$ -</u>	<u>\$ 111,932</u>	<u>\$ 160,885</u>	<u>\$ 147,089</u>	<u>\$ 7,077</u>
\$ -	\$ -	\$ 20,959	\$ 129,436	\$ 44,928	\$ 3,145
-	-	17,887	11,326	-	-
20,995	-	73,086	20,123	102,161	3,932
-	-	-	-	-	-
<u>20,995</u>	<u>-</u>	<u>111,932</u>	<u>160,885</u>	<u>147,089</u>	<u>7,077</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 20,995</u>	<u>\$ -</u>	<u>\$ 111,932</u>	<u>\$ 160,885</u>	<u>\$ 147,089</u>	<u>\$ 7,077</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 3 of 5)
August 31, 2011

Data Control Codes		Special Revenue Funds			
		285	286	287	288
		ESEA Title I Part A	Title I SIP Academy Grant ARRA	Education Jobs	Literacy Through School Libraries
<u>Assets</u>					
1110	Cash and cash equivalents	\$ -	\$ 463	\$ 14,251	\$ -
1240	Due from other governments	376,595	414,348	158,317	1,122,404
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	749
1300	Inventories	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	\$ 376,595	\$ 414,811	\$ 172,568	\$ 1,123,153
<u>Liabilities</u>					
2110	Accounts payable	\$ 106,231	\$ 73,774	\$ 56,972	\$ 256,914
2160	Accrued wages payable	21,368	72,602	72,645	226,022
2170	Due to other funds	248,996	268,435	28,700	640,217
2300	Deferred revenue	-	-	14,251	-
2000	Total Liabilities	376,595	414,811	172,568	1,123,153
<u>Fund Balances</u>					
Nonspendable for:					
3410	Investments in inventory	-	-	-	-
3430	Prepaid items	-	-	-	-
Restricted for:					
3450	Food service	-	-	-	-
3490	Other restrictions	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	\$ 376,595	\$ 414,811	\$ 172,568	\$ 1,123,153

Special Revenue Funds

361	394	397	404	409	411
ARRA Title II Part D	Life Skills Program	Advanced Placement Incentives	Student Success Initiative	High School Completion and Success	Technology Allotment
\$ -	\$ -	\$ 17,797	\$ -	\$ 3,010	\$ -
136,046	-	-	18,662	113,789	-
-	-	-	-	-	-
340	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 136,386</u>	<u>\$ -</u>	<u>\$ 17,797</u>	<u>\$ 18,662</u>	<u>\$ 116,799</u>	<u>\$ -</u>
\$ 67,966	\$ -	\$ -	\$ -	\$ -	\$ -
1,867	-	-	-	11,073	-
66,553	-	-	18,662	102,716	-
-	-	17,797	-	3,010	-
<u>136,386</u>	<u>-</u>	<u>17,797</u>	<u>18,662</u>	<u>116,799</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 136,386</u>	<u>\$ -</u>	<u>\$ 17,797</u>	<u>\$ 18,662</u>	<u>\$ 116,799</u>	<u>\$ -</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 4 of 5)
August 31, 2011

Data Control Codes		Special Revenue Funds			
		415	426	427	429
		Kindergarten And PreK Grants	Texas Educator Excellence Program	State Funded Special Revenue	Miscellaneous State Special Revenue Program
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 2,426	\$ 5,989,209
1240	Due from other governments	99,359	525,173	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 99,359</u>	<u>\$ 525,173</u>	<u>\$ 2,426</u>	<u>\$ 5,989,209</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued wages payable	18,254	515,993	-	-
2170	Due to other funds	81,105	9,180	-	-
2300	Deferred revenue	-	-	-	-
2000	Total Liabilities	<u>99,359</u>	<u>525,173</u>	<u>-</u>	<u>-</u>
	<u>Fund Balances</u>				
	Nonspendable for:				
3410	Investments in inventory	-	-	-	-
3430	Prepaid items	-	-	-	-
	Restricted for:				
3450	Food service	-	-	-	-
3490	Other restrictions	-	-	2,426	5,989,209
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>2,426</u>	<u>5,989,209</u>
4000	Total Liabilities and Fund Balances	<u>\$ 99,359</u>	<u>\$ 525,173</u>	<u>\$ 2,426</u>	<u>\$ 5,989,209</u>

Special Revenue Funds

434	446	461	480	481	484
Supplemental Visually Impaired	Shared Service Locally Defined	Campus Activity	BHS Booster Club Donations	First Robotics	Galveston Educational Foundation
\$ -	\$ -	\$ 239,094	\$ -	\$ 312	\$ 7,731
-	-	-	-	-	-
-	-	500	-	-	-
42,411	51,546	-	-	-	18,682
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 42,411</u>	<u>\$ 51,546</u>	<u>\$ 239,594</u>	<u>\$ -</u>	<u>\$ 312</u>	<u>\$ 26,413</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160
-	3,358	-	-	-	-
29,427	48,188	-	-	-	18,682
-	-	-	-	-	-
<u>29,427</u>	<u>51,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,842</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,984	-	239,594	-	312	7,571
<u>12,984</u>	<u>-</u>	<u>239,594</u>	<u>-</u>	<u>312</u>	<u>7,571</u>
<u>\$ 42,411</u>	<u>\$ 51,546</u>	<u>\$ 239,594</u>	<u>\$ -</u>	<u>\$ 312</u>	<u>\$ 26,413</u>

GALVESTON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 5 of 5)

August 31, 2011

Data Control Codes		Special Revenue Funds			
		486	491	493	494
		Miscellaneous Donations	Ike Donation	Laura Bush Foundation	CMS Foundation
	<u>Assets</u>				
1110	Cash and cash equivalents	\$ 29,843	\$ 33,874	\$ -	\$ -
1240	Due from other governments	-	-	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	Total Assets	<u>\$ 29,843</u>	<u>\$ 33,874</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Liabilities</u>				
2110	Accounts payable	\$ 3,002	\$ -	\$ -	\$ -
2160	Accrued wages payable	71	-	-	-
2170	Due to other funds	-	-	-	-
2300	Deferred revenue	-	-	-	-
2000	Total Liabilities	<u>3,073</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>Fund Balances</u>				
	Nonspendable for:				
3410	Investments in inventory	-	-	-	-
3430	Prepaid items	-	-	-	-
	Restricted for:				
3450	Food service	-	-	-	-
3490	Other restrictions	26,770	33,874	-	-
3000	Total Fund Balances	<u>26,770</u>	<u>33,874</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 29,843</u>	<u>\$ 33,874</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds				
496	497	499	699	Total Nonmajor Governmental Funds
Other Special Revenue	Humanities Texas Libraries	Other Special Revenue	Capital Projects	
\$ -	\$ -	\$ 10,283	\$ -	\$ 8,638,101
-	-	-	-	5,726,554
-	-	-	-	4,579
-	-	-	-	117,186
-	-	-	-	68,235
-	-	-	-	6,312
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,283</u>	<u>\$ -</u>	<u>\$ 14,560,967</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,341,592
-	-	-	-	1,333,039
-	-	-	-	3,270,382
-	-	-	-	42,421
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,987,434</u>
-	-	-	-	68,235
-	-	-	-	6,312
-	-	-	-	1,458,664
<u>-</u>	<u>-</u>	<u>10,283</u>	<u>-</u>	<u>7,040,322</u>
<u>-</u>	<u>-</u>	<u>10,283</u>	<u>-</u>	<u>8,573,533</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,283</u>	<u>\$ -</u>	<u>\$ 14,560,967</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 1 of 5)
For the Year Ended August 31, 2011

Data Control Codes		Special Revenue Funds			
		206 ESEA Title X Part C Homeless Children	211 Part A Improving Basic Prog	224 IDEA-B Formula	225 IDEA-B Preschool
	Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	121,847	2,958,021	1,798,957	66,724
5020	Total Revenues	<u>121,847</u>	<u>2,958,021</u>	<u>1,798,957</u>	<u>66,724</u>
	Expenditures				
	Current:				
0011	Instruction	-	1,850,488	1,222,057	66,619
0012	Instruction resources	-	4,911	-	-
0013	Curriculum and instructional	-	382,368	6,955	105
0021	Instructional leadership	-	266,735	1,641	-
0023	School leadership	-	16,948	-	-
0031	Guidance, counseling, evaluation	-	4,979	568,304	-
0032	Social work services	-	84,037	-	-
0033	Health services	-	284,243	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	4,535	-	-
0053	Data processing services	-	-	-	-
0061	Community services	121,847	58,777	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	-	-
0093	Payments to shared service arrangements	-	-	-	-
6030	Total Expenditures	<u>121,847</u>	<u>2,958,021</u>	<u>1,798,957</u>	<u>66,724</u>
	Other Financing Sources (Uses)				
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	-
0100	Beginning Fund Balances	-	-	-	-
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds					
240	243	244	255	258	262
National School Breakfast and Lunch Program	Career and Technical	Career and Technical Basic	ESEA Title II Part A Training	Public Charter Schools	Title II Part D Enhancing Education
\$ 1,228,309	\$ -	\$ -	\$ -	\$ -	\$ -
19,901	-	-	-	-	-
3,579,494	1,739	110,309	624,251	1,143,403	84,948
4,827,704	1,739	110,309	624,251	1,143,403	84,948
-	1,739	62,102	186,800	892,863	64,407
-	-	-	-	27,890	-
-	-	750	335,674	221,209	10,399
-	-	164	7,374	595	9,217
-	-	-	85,344	-	-
-	-	47,293	-	-	-
-	-	-	-	-	-
-	-	-	-	846	-
-	-	-	-	-	-
3,997,862	-	-	-	-	-
-	-	-	-	-	-
-	-	-	9,059	-	-
169,679	-	-	-	-	925
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
302,936	-	-	-	-	-
-	-	-	-	-	-
4,470,477	1,739	110,309	624,251	1,143,403	84,948
-	-	-	-	-	-
-	-	-	-	-	-
357,227	-	-	-	-	-
1,893,283	-	-	-	-	-
\$ 2,250,510	\$ -	\$ -	\$ -	\$ -	\$ -

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 2 of 5)
For the Year Ended August 31, 2011

Data Control Codes		Special Revenue Funds			
		263	265	266	273
		Title III ELA	21st Century Grant	ARRA of 2009 Title XIV State Fiscal Stabilization	Mathematics and Science Partnerships
	Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	59,486	919,799	3,371,310	46,018
5020	Total Revenues	<u>59,486</u>	<u>919,799</u>	<u>3,371,310</u>	<u>46,018</u>
	Expenditures				
	Current:				
0011	Instruction	19,611	821,895	3,371,310	-
0012	Instruction resources	-	-	-	-
0013	Curriculum and instructional	29,978	683	-	44,639
0021	Instructional leadership	2,906	97,221	-	1,379
0023	School leadership	-	-	-	-
0031	Guidance, counseling, evaluation	6,991	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	-	-
0093	Payments to shared service arrangements	-	-	-	-
6030	Total Expenditures	<u>59,486</u>	<u>919,799</u>	<u>3,371,310</u>	<u>46,018</u>
	Other Financing Sources (Uses)				
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	-
0100	Beginning Fund Balances	-	-	-	-
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds					
279	280	281	282	283	284
Title II Part D Education	ESEA Title X Part C Educating Homeless	Advanced Placement	Community Youth Development	IDEA Part B Formula ARRA	IDEA Part B Preschool ARRA
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
35,256	423,650	690,659	454,475	696,509	25,202
35,256	423,650	690,659	454,475	696,509	25,202
20,995	331,144	142,572	81,090	474,281	25,202
-	-	3,044	120,526	-	-
14,261	1,500	448,788	-	11,900	-
-	12,899	25,558	-	-	-
-	13	-	-	10,400	-
-	-	70,697	16,414	-	-
-	-	-	-	-	-
-	73,333	-	-	-	-
-	-	-	203,084	199,928	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	4,761	-	33,361	-	-
-	-	-	-	-	-
-	-	-	-	-	-
35,256	423,650	690,659	454,475	696,509	25,202
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 3 of 5)
For the Year Ended August 31, 2011

Data Control Codes		Special Revenue Funds			
		285	286	287	288
		ESEA Title I Part A	Title I SIP Academy Grant ARRA	Education Jobs	Literacy Through School Libraries
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	98	-
5900	Federal program revenues	728,047	1,051,011	349,935	2,750,686
5020	Total Revenues	<u>728,047</u>	<u>1,051,011</u>	<u>350,033</u>	<u>2,750,686</u>
Expenditures					
Current:					
0011	Instruction	599,097	483,952	311,630	1,851,673
0012	Instruction resources	344	2,335	-	39,510
0013	Curriculum and instructional	88,846	336,088	-	405,491
0021	Instructional leadership	3,319	119,614	20,010	227,311
0023	School leadership	17,291	32,103	-	-
0031	Guidance, counseling, evaluation	-	44,566	18,393	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	26,050
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	19,150	32,353	-	134,493
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	66,158
0093	Payments to shared service arrangements	-	-	-	-
6030	Total Expenditures	<u>728,047</u>	<u>1,051,011</u>	<u>350,033</u>	<u>2,750,686</u>
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	-
0100	Beginning Fund Balances	-	-	-	-
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds					
361	394	397	404	409	411
ARRA Title II Part D	Life Skills Program	Advanced Placement Incentives	Student Success Initiative	High School Completion and Success	Technology Allotment
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	43,051	-	78,355	585,962	157,645
659,077	-	-	-	-	-
659,077	43,051	-	78,355	585,962	157,645
387,165	-	-	78,355	336,525	9,750
-	-	-	-	-	-
25,922	-	-	-	6,409	-
318	-	-	-	220,344	-
-	-	-	-	-	-
-	-	-	-	22,684	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	147,895
-	43,051	-	-	-	-
-	-	-	-	-	-
245,672	-	-	-	-	-
659,077	43,051	-	78,355	585,962	157,645
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 4 of 5)
For the Year Ended August 31, 2011

Data Control Codes		Special Revenue Funds			
		415	426	427	429
		Kindergarten And PreK Grants	Texas Educator Excellence Program	State Funded Special Revenue	Miscellaneous State Special Revenue Program
	Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	418,710	555,388	1,243	19,325
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	<u>418,710</u>	<u>555,388</u>	<u>1,243</u>	<u>19,325</u>
	Expenditures				
	Current:				
0011	Instruction	343,439	555,388	-	18,559
0012	Instruction resources	-	-	-	-
0013	Curriculum and instructional	42,025	-	-	532
0021	Instructional leadership	33,246	-	-	234
0023	School leadership	-	-	-	-
0031	Guidance, counseling, evaluation	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	-	-
0093	Payments to shared service arrangements	-	-	-	-
6030	Total Expenditures	<u>418,710</u>	<u>555,388</u>	<u>-</u>	<u>19,325</u>
	Other Financing Sources (Uses)				
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	-	-
1200	Net Change in Fund Balances	-	-	1,243	-
0100	Beginning Fund Balances	-	-	1,183	5,989,209
3000	Ending Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,426</u>	<u>\$ 5,989,209</u>

Special Revenue Funds					
434	446	461	480	481	484
Supplemental Visually Impaired	Shared Service Locally Defined	Campus Activity Funds	BHS Booster Club Donations	First Robotics	Galveston Educational Foundation
\$ 54,198	\$ 56,110	\$ 500	\$ -	\$ -	\$ 99,628
3,513	3,463	-	-	-	4,462
-	-	-	-	-	-
<u>57,711</u>	<u>59,573</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>104,090</u>
57,711	59,573	-	-	-	40,224
-	-	-	-	-	842
-	-	-	-	-	-
-	-	-	-	-	345
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	7,515	-	1,323	-
-	-	-	-	-	55,244
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>57,711</u>	<u>59,573</u>	<u>7,515</u>	<u>-</u>	<u>1,323</u>	<u>96,655</u>
-	-	-	-	-	-
-	-	-	(2,071)	-	-
-	-	(7,015)	(2,071)	(1,323)	7,435
<u>12,984</u>	<u>-</u>	<u>246,609</u>	<u>2,071</u>	<u>1,635</u>	<u>136</u>
<u>\$ 12,984</u>	<u>\$ -</u>	<u>\$ 239,594</u>	<u>\$ -</u>	<u>\$ 312</u>	<u>\$ 7,571</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 5 of 5)
For the Year Ended August 31, 2011

Data Control Codes		Special Revenue Funds			
		486	491	493	494
		Miscellaneous Donations	Ike Donation	Laura Bush Foundation	CMS Foundation
<u>Revenues</u>					
5700	Local, intermediate, and out-of-state	\$ 70,633	\$ 69,657	\$ -	\$ -
5800	State program revenues	1,588	83	-	-
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	72,221	69,740	-	-
<u>Expenditures</u>					
Current:					
0011	Instruction	33,529	379	-	-
0012	Instruction resources	4,672	1,349	-	-
0013	Curriculum and instructional	2,917	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, evaluation	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	27,663	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	9,731	3,088	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
0093	Payments to shared service arrangements	-	-	-	-
6030	Total Expenditures	78,512	4,816	-	-
<u>Other Financing Sources (Uses)</u>					
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	(711)	(810)
1200	Net Change in Fund Balances	(6,291)	64,924	(711)	(810)
0100	Beginning Fund Balances	33,061	(31,050)	711	810
3000	Ending Fund Balances	\$ 26,770	\$ 33,874	\$ -	\$ -

Special Revenue Funds				
496	497	499	699	Total Nonmajor Governmental Funds
Other Special Revenue	Humanities Texas Libraries	Other Special Revenue	Capital Projects	
\$ -	\$ -	\$ 22,363	\$ -	\$ 1,601,398
-	-	585	-	1,893,372
-	-	-	-	22,750,813
-	-	22,948	-	26,245,583
-	-	14,740	-	14,816,864
-	-	-	-	205,423
-	-	-	-	2,417,439
-	-	-	-	1,050,430
-	-	-	-	162,099
-	-	-	-	800,321
-	-	-	-	84,037
-	-	-	-	358,422
-	-	-	-	403,012
-	-	-	-	3,997,862
-	-	-	-	36,501
-	-	-	-	64,303
-	-	-	-	196,654
-	-	-	-	4,535
-	-	-	-	147,895
-	-	-	-	460,612
-	-	4,504	-	373,598
-	-	-	-	245,672
-	-	19,244	-	25,825,679
-	-	6,569	-	6,569
(2,178)	(799)	-	(3,392)	(9,961)
(2,178)	(799)	10,273	(3,392)	416,512
2,178	799	10	3,392	8,157,021
\$ -	\$ -	\$ 10,283	\$ -	\$ 8,573,533

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

August 31, 2011

Data		753	748	771	Total
Control		Health		Workers'	Internal
Codes		Insurance	Concession	Compensation	Service
				Insurance	Funds
<u>Assets</u>					
1110	Cash and cash equivalents	\$ -	\$ 7,945	\$ 385,901	\$ 393,846
1260	Due from other funds	1,175,553	-	440,521	1,616,074
1000	Total Assets	1,175,553	7,945	826,422	2,009,920
<u>Liabilities</u>					
Current liabilities:					
2110	Accounts Payable	1,173,388	7,945	-	1,181,333
2160	Accrued wages payable	2,165	-	2,165	4,330
2200	Accrued expenditures/expenses	-	-	132,550	132,550
2000	Total Liabilities	1,175,553	7,945	134,715	1,318,213
<u>Net Assets</u>					
3900	Unrestricted	-	-	691,707	691,707
4000	Total Net Assets	\$ -	\$ -	\$ 691,707	\$ 691,707

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS H-4
For the Year Ended August 31, 2011

Data Control Dates		753	748	771	Total
		Health Insurance	Concession	Workers' Compensation Insurance	Internal Service Funds
	<u>Operating Revenues</u>				
5700	Local and intermediate sources	\$ 3,806,519	\$ 18,684	\$ 440,667	\$ 4,265,870
5800	State program revenues	-	708	-	708
5020	Total Operating Revenues	<u>3,806,519</u>	<u>19,392</u>	<u>440,667</u>	<u>4,266,578</u>
	<u>Operating Expenses</u>				
6100	Payroll costs	15,089	11,585	15,290	41,964
6200	Professional and contracted services	7,465,060	-	209,198	7,674,258
6300	Supplies and materials	-	15,307	-	15,307
6400	Other operating costs	-	-	2,143	2,143
6030	Total Expenses	<u>7,480,149</u>	<u>26,892</u>	<u>226,631</u>	<u>7,733,672</u>
	Operating Income (Loss)	<u>(3,673,630)</u>	<u>(7,500)</u>	<u>214,036</u>	<u>(3,467,094)</u>
	<u>Non-Operating Revenues (Expenses)</u>				
7915	Transfers in	3,673,630	7,500	-	3,681,130
	Total Non-operating Revenues (Expenses)	<u>3,673,630</u>	<u>7,500</u>	<u>-</u>	<u>3,681,130</u>
1200	Change in Net Assets	-	-	214,036	214,036
0100	Beginning Net Assets	-	-	477,671	477,671
3000	Ending Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 691,707</u>	<u>\$ 691,707</u>

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

For the Year Ended August 31, 2011

	753	748	771	Total
	Health Insurance	Concession	Workers' Compensation Insurance	Internal Service Funds
<u>Cash Flows from Operating Activities</u>				
Cash received from customers	\$ 1,284,958	\$ 6,584	\$ 147	\$ 1,291,689
Cash payments to employees	(14,761)	(11,585)	(14,963)	(41,309)
Cash payments to suppliers for services	(6,291,672)	(7,362)	(377,667)	(6,676,701)
Net Cash (Used) by Operating Activities	<u>(5,021,475)</u>	<u>(12,363)</u>	<u>(392,483)</u>	<u>(5,426,321)</u>
<u>Cash Flows from Non-Operating Activities</u>				
Transfer in	3,673,630	7,500	-	3,681,130
Net Cash Provided by Non-Operating Activities	<u>3,673,630</u>	<u>7,500</u>	<u>-</u>	<u>3,681,130</u>
Net (Decrease) in Cash and Cash Equivalents	(1,347,845)	(4,863)	(392,483)	(1,745,191)
Beginning Cash and Cash Equivalents	<u>1,347,845</u>	<u>12,808</u>	<u>778,384</u>	<u>2,139,037</u>
Ending Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ 7,945</u>	<u>\$ 385,901</u>	<u>\$ 393,846</u>
Reconciliation of Operating Income (Loss)				
to Net Cash Provided (Used) by Operating Activities				
Operating (loss) income	\$ (3,673,630)	\$ (7,500)	\$ 214,036	\$ (3,467,094)
Increase (Decrease) in:				
(Increase) decrease in due from other funds	(1,175,553)	22,262	(440,520)	(1,593,811)
Increase (decrease) in due to other funds	(1,346,008)	(35,070)	-	(1,381,078)
Increase (decrease) in accounts payable	1,173,388	7,945	(166,326)	1,015,007
Increase (decrease) in accrued wages payable	328	-	327	655
Net Cash (Used) by Operating Activities	<u>\$ (5,021,475)</u>	<u>\$ (12,363)</u>	<u>\$ (392,483)</u>	<u>\$ (5,426,321)</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - EXHIBIT H-6

August 31, 2011

	810 Homeless Grant Donations	811 Miscellaneous Clothing and Supply	816 Scott/Anders Scholarship Fund	817 McCullough Scholarship
<u>Asset:</u>				
Cash and cash equivalents	\$ 1,100	\$ 9,326	\$ -	\$ -
Restricted assets	-	-	40,259	6,240
Total Assets	<u>1,100</u>	<u>9,326</u>	<u>40,259</u>	<u>6,240</u>
<u>Net Assets:</u>				
Held in trust	1,100	9,326	40,259	6,240
Total Net Assets	<u>\$ 1,100</u>	<u>\$ 9,326</u>	<u>\$ 40,259</u>	<u>\$ 6,240</u>

818	836	
<u>Rosenberg Scholarship</u>	<u>Lovenberg Maintenance</u>	<u>Trust Funds</u>
\$ -	\$ 159,120	\$ 169,546
12,240	690,611	749,350
<u>12,240</u>	<u>849,731</u>	<u>918,896</u>
12,240	849,731	918,896
<u>\$ 12,240</u>	<u>\$ 849,731</u>	<u>\$ 918,896</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - EXHIBIT H-7

For the Year Ended August 31, 2011

	810 Homeless Grant Donations	811 Miscellaneous Clothing and Supply	816 Scott/Anders Scholarship Fund	817 McCullough Scholarship
<u>Additions:</u>				
Donations	\$ 800	\$ 4,402	\$ -	\$ -
Investment earnings	-	-	-	-
Total Additions	<u>800</u>	<u>4,402</u>	<u>-</u>	<u>-</u>
<u>Deductions</u>				
Benefits	-	3,126	-	-
Total Deductions	<u>-</u>	<u>3,126</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	800	1,276	-	-
Beginning Net Assets	<u>300</u>	<u>8,050</u>	<u>40,259</u>	<u>6,240</u>
Ending Net Assets	<u><u>\$ 1,100</u></u>	<u><u>\$ 9,326</u></u>	<u><u>\$ 40,259</u></u>	<u><u>\$ 6,240</u></u>

818	836	
<u>Rosenberg Scholarship</u>	<u>Lovenberg Maintenance</u>	<u>Trust Funds</u>
\$ -	\$ 37,946	\$ 43,148
1,387	-	1,387
<u>1,387</u>	<u>37,946</u>	<u>44,535</u>
-	5,568	8,694
<u>-</u>	<u>5,568</u>	<u>8,694</u>
1,387	32,378	35,841
<u>10,853</u>	<u>817,353</u>	<u>883,055</u>
<u>\$ 12,240</u>	<u>\$ 849,731</u>	<u>\$ 918,896</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1
For the Year Ended August 31, 2011

	1	2	3	10
	Tax Rates		Net Assessed/ Appraised Value For School Tax Purposes	Beginning Balance 8/31/10
<u>Last Ten Years</u>	<u>Maintenance</u>	<u>Debt Service</u>		
2002 and prior	\$ Various	\$ Various	\$ Various	\$ 691,922
2003	\$ 1.4570	\$ 0.0700	\$ 2,592,354,904	171,537
2004	\$ 1.5000	\$ 0.0600	\$ 2,935,965,984	190,118
2005	\$ 1.5000	\$ 0.2100	\$ 3,132,323,620	321,921
2006	\$ 1.5000	\$ 0.1850	\$ 3,541,661,150	280,949
2007	\$ 1.3700	\$ 0.1550	\$ 4,024,240,609	394,595
2008	\$ 1.0400	\$ 0.1350	\$ 4,431,935,339	539,183
2009	\$ 1.0400	\$ 0.1250	\$ 4,820,255,794	903,289
2010	\$ 1.0400	\$ 0.1250	\$ 4,075,355,225	1,456,834
2011	\$ 1.0400	\$ 0.1250	\$ 4,398,184,463	-
1000 Totals				<u><u>\$ 4,950,348</u></u>

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/11
\$ -	\$ 52,513	\$ 2,535	(92,728)	\$ 544,146
-	14,387	596	(3,083)	153,471
-	17,002	700	(3,817)	168,599
-	25,870	3,622	(4,458)	287,971
-	41,883	5,165	319	234,220
-	76,771	8,686	2,826	311,964
-	147,549	19,153	(2,633)	369,848
-	308,048	37,025	(878)	557,338
-	677,239	81,399	(41,075)	657,121
<u>51,238,849</u>	<u>44,436,165</u>	<u>5,340,885</u>	<u>-</u>	<u>1,461,799</u>
<u>\$ 51,238,849</u>	<u>\$ 45,797,427</u>	<u>\$ 5,499,766</u>	<u>\$ (145,527)</u>	<u>\$ 4,746,477</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF
INDIRECT COSTS FOR 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS - EXHIBIT J - 2
For the Year Ended August 31, 2011

Account Number		(1) 702	(2) 703	(3) 701
		School Board	Tax Collection	Superintendent's Office
611X-6146	Payroll costs	\$ -	\$ -	\$ 274,040
6211	Legal services	-	-	155,034
6212	Audit services	-	-	-
6213	Tax appraisal/collection	-	337,243	-
621X	Other professional services	497	-	2,308
6230	Education service centers	-	-	-
6240	Maintenance and repairs	-	-	-
6260	Rentals	-	-	5,200
6290	Miscellaneous contracts	12	-	5,444
6320	Textbooks and reading	-	-	-
63XX	Other supplies	1,656	-	3,202
6410	Travel, subsistence, and stipends	3,869	-	3,965
6420	Insurance and bonding	-	-	-
6430	Election expense	12,599	-	2,328
6490	Miscellaneous operating	18,872	-	12,499
	Totals	<u>\$ 37,505</u>	<u>\$ 337,243</u>	<u>\$ 464,020</u>

Other Information:

Total expenditures for general and special revenue funds (Exhibit C-3) (9) \$ 86,121,146

Less: deductions of unallowed costs:

Fiscal Year

Total capital outlay (6600)	(10) \$	1,571,469	
Total debt and lease (6500)	(11)	913,456	
Plant maintenance (function 51, 6100-6400)	(12)	7,793,309	
Food (function 35, 6341 and 6499)	(13)	2,162,079	
Stipends (6413)	(14)	-	
Column (4) above - total indirect cost		<u>1,025,771</u>	
Subtotal			<u>13,466,084</u>
	Net Allowable Direct Cost		<u>\$ 72,655,062</u>

Note functions 53 and 99 expenditures above.

A. Function 53	\$	168,870
B. Function 99		337,243

(4) 750	(5) 720	(6) (Other)	(7)
Indirect Cost	Direct Cost	Miscellaneous	Total
\$ 605,999	\$ -	\$ 477,653	\$ 1,357,692
-	-	-	155,034
55,500	-	-	55,500
-	-	-	337,243
1,964	-	-	4,769
9,000	-	-	9,000
85,791	-	-	85,791
21,495	-	10,068	36,763
22,009	-	6,963	34,428
334	-	-	334
42,318	-	38,566	85,742
2,262	-	6,187	16,283
117,971	-	-	117,971
4,740	-	-	19,667
56,388	-	22,554	110,313
<u>\$ 1,025,771</u>	<u>\$ -</u>	<u>\$ 561,991</u>	<u>\$ 2,426,530</u>

Cumulative

Total cost of buildings before depreciation (1520)	(15) \$	153,391,417
Historical cost of buildings over 50 years old	(16) \$	6,480,000
Amount of federal money in building cost (Net of 16)	(17) \$	3,408,891
Total cost of furniture and equipment before depreciation (1530 and 1540)	(18) \$	15,474,455
Historical cost of furniture and equipment over 16 years old	(19) \$	131,460
Amount of federal money in furniture and equipment (Net of 19)	(20) \$	-

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION SCHEDULE (UNAUDITED)
GENERAL FUND - EXHIBIT J-3
For the Year Ended August 31, 2011

1. Total general fund fund balance at year end (Exhibit C-1 object 3000 for the general fund only)	\$ 37,550,556
2. Total non-spendable fund balance at year end (Exhibit C-1 objects 341x-344x for the general fund only)	1,543,688
3. Total restricted fund balance at year end (Exhibit C-1 objects 345x-349x for the general fund only)	-
4. Total committed fund balance at year end (Exhibit C-1 objects 351x-354x for the general fund only)	-
5. Total assigned fund balance at year end (Exhibit C-1 objects 355x-359x for the general fund only)	-
6. Estimated amount needed to cover fall cash flow deficits in general fund (net of borrowed funds and funds representing deferred revenues)	25,000,000
7. Estimate of two months' average cash disbursements during the fiscal year.	6,500,000
8. Estimate of delayed payments from state sources (58XX) including August payment delays	-
9. Estimate of underpayments from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	-
10. Estimate of delayed payments from federal sources (59XX)	-
11. Estimate of expenditures to be reimbursed to general fund from capital projects fund (uses of general fund cash after bond referendum and prior to issuance of bonds)	-
12. General fund optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	31,500,000
13. Excess or (deficit) unassigned general fund balance (1-12)	\$ 6,050,556

The District's administration will continue to monitor the fund balance in the general fund in the following budgetary cycles to maintain a fund balance level within District policy and State guidelines.

GALVESTON
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-4
For the Year Ended August 31, 2011

Data Control Codes		Budgeted Amount		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<u>Revenues</u>				
5700	Total local and intermediate sources	\$ 1,050,500	\$ 1,140,500	\$ 1,228,309	\$ 87,809
5800	State program revenues	22,000	22,000	19,901	(2,099)
5900	Federal program revenues	3,155,150	3,255,150	3,579,494	324,344
5020	Total Revenues	<u>4,227,650</u>	<u>4,417,650</u>	<u>4,827,704</u>	<u>410,054</u>
	<u>Expenditures</u>				
	Current:				
0035	Food service	4,004,950	4,244,950	3,997,862	247,088
0051	Plant maintenance and operations	222,700	222,700	169,679	53,021
	Capital Outlay:				
0081	Facilities acquisition and construction	-	325,271	302,936	22,335
6030	Total Expenditures	<u>4,227,650</u>	<u>4,792,921</u>	<u>4,470,477</u>	<u>322,444</u>
1200	Net Change in Fund Balance	-	(375,271)	357,227	732,498
0100	Beginning Fund Balance	1,893,283	1,893,283	1,893,283	-
3000	Ending Fund Balance	<u>\$ 1,893,283</u>	<u>\$ 1,518,012</u>	<u>\$ 2,250,510</u>	<u>\$ 732,498</u>

GALVESTON
INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - EXHIBIT J-5
For the Year Ended August 31, 2011

<u>Data Control Codes</u>		<u>Original and Final Budgeted Amount</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Revenues</u>			
5700	Total local and intermediate sources	\$ 5,456,470	\$ 5,652,470	\$ 196,000
5020	Total Revenues	5,456,470	5,652,470	196,000
	<u>Expenditures</u>			
0071	Principal	2,056,266	1,430,000	626,266
0072	Interest	3,208,320	3,208,320	-
6030	Total Expenditures	5,264,586	4,638,320	626,266
1200	Net Change in Fund Balance	191,884	1,014,150	822,266
0100	Beginning Fund Balance	3,169,075	3,169,075	-
3000	Ending Fund Balance	\$ 3,360,959	\$ 4,183,225	\$ 822,266

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FEDERAL AWARDS SECTION

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Galveston Independent School District (the "District"), as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements and have issued our report there on dated January 11, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BELT HARRIS PECHACEK, LLP

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
January 11, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

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

Compliance

We have audited the compliance of Galveston Independent School District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2011. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133.

Partners

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Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 11, 2012

GALVESTON
INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2011

None

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2011

A. SUMMARY OF AUDIT RESULTS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program Cluster</u>
84.010 and 84.389	Title I, Part A Cluster
84.394	ARRA Title XIV SFSF
84.027, 84.173, 84.391, and 84.392	Special Education Cluster (IDEA)
84.388	ARRA Texas Title I Priority Schools Grant
84.318 and 84.386	Education Technology State Grants Cluster
84.165	Magnet Schools Assistance
84.282	Public Charter School Start Up
84.287	21st Community Century Grant
84.330	Advanced Placement

8. The threshold for distinguishing Type A and B programs was \$723,756.
9. The District did qualify as a low-risk auditee.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None Noted

C. FINDINGS – FEDERAL AUDIT AWARDS

None Noted

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GALVESTON INDEPENDENT SCHOOL DISTRICT

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

For the Year Ended August 31, 2011

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Texas Department of Public Safety Division of Emergency Management</i>			
FEMA - Hurricane Ike	97.036	084902	\$ 376,114
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			376,114
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education</i>			
ESEA Title I, Part A*	84.010	11610101084902	3,000,597
IDEA B, Formula Grant*	84.027	116600010849026600	1,845,718
IDEA B, - Preschool*	84.173	116610010849026610	68,487
Title III, Part A	84.365	11671001084902	61,174
21st Community Century Grant	84.287	106950127110012	941,187
ARRA Texas Title I Priority Schools Grant	84.388	105520017110028	1,074,312
Teacher Incentive Fund	84.374	S374A100015	284,355
Career and Technical, Basic Grant	84.048	11420006084902	113,287
Title II, Part D, Enhancing Education through Technology*	84.318	11630001084902	85,307
Title II, Part A, Teacher and Principal	84.367	11694501084902	638,609
Public Charter School Start Up	84.282	105900297110002	1,155,627
Mathematics and Science Partnerships	84.366	116944057110005	46,837
ARRA Title II, Part D Technology*	84.386	10553001084902	35,663
Magnet Schools Assistance	84.165	U165A100053	2,760,749
ARRA Title I, Part A*	84.389	10551001084902	744,270
ARRA IDEA-B, Formula*	84.391	10554001084902	701,749
ARRA IDEA-B, Preschool*	84.392	10555001084902	25,780
Title I SIP Academy Grant	84.377	11610104084902001	30,581
ARRA Title XIV, SFSF	84.394	11557001084902	3,371,310
Tech-Prep Education	84.243	111714	1,739
Education Jobs Fund	84.410	11550101084902	72,609
Ball HS Ike Recovery Project (Gulf Coast Recovery)	84.215	S215C100047	457,645
ARRA Title II, Part D-DISC Grants	84.389	105530027110018	676,251
<i>Passed Through Education Service Center, Region X</i>			
Education for Homeless Children	84.196	00-046	124,160
<i>Direct Awards</i>			
Improving Literacy through School Libraries	84.364	S364A090302	40,072
Homeless Education Disaster Assistance	84.383	S383S090049	435,741
Advanced Placement	84.330	S330C090092-10	709,791
TOTAL U.S. DEPARTMENT OF EDUCATION			19,503,607

GALVESTON INDEPENDENT SCHOOL DISTRICT

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

For the Year Ended August 31, 2011

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Texas Health and Human Services Commission</i>			
Medicaid Administrative Claiming Program	93.778	084902	14,621
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			14,621
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
School Breakfast Programs*	10.553	71401101	1,043,175
National School Lunch*	10.555	71301101	2,315,660
USDA Commodities	10.557	84902	220,660
TOTAL U.S. DEPARTMENT OF AGRICULTURE			3,579,495
U.S. DEPARTMENT OF DEFENSE			
<i>Passed Through U.S. Army</i>			
Junior ROTC	12.000	084902	71,884
TOTAL U.S. DEPARTMENT OF DEFENSE			71,884
FEDERAL COMMUNICATIONS COMMISSION			
Universal E-Rate	32.000	084902	579,483
TOTAL FEDERAL COMMUNICATIONS COMMISSION			579,483
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 24,125,204

* Indicates clustered program under OMB Circular A-133 Compliance Supplement
The accompanying notes are an integral part of this schedule.

Federal revenue per SEFA	\$ 24,125,204
SHARS	263,010
C-2 Federal revenue	\$ 24,388,214

GALVESTON
INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2011

NOTE 1: BASIS OF ACCOUNTING

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

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GALVESTON
INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the Year Ended August 31, 2011

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the annual financial report?	Yes
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the annual financial report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ -

