

*ANNUAL FINANCIAL REPORT*

of the

**GALVESTON  
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended  
August 31, 2014

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
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August 31, 2014

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# GALVESTON INDEPENDENT SCHOOL DISTRICT

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***INTRODUCTORY SECTION***

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CERTIFICATE OF BOARD

Galveston Independent School District  
Name of School District

Galveston  
County

084-902  
Co. Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2014, at a meeting of the Board of Trustees of such school district on the 21<sup>st</sup> day of January, 2015.

Carol Greaney-Wurst  
Signature of Board Secretary

[Signature]  
Signature of Board President

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

(attach list as necessary)

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Galveston Independent School District (the "District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

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

The introductory section 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
January 20, 2015

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

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
For the Year Ended August 31, 2014

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Galveston Independent School District (the "District") for the year ending August 31, 2014. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total combined net position at August 31, 2014 was \$77,721,967.
- For the fiscal year ended August 31, 2014, the District's general fund reported a total fund balance of \$30,037,299, of which \$1,341,147 is nonspendable, \$20,000,000 is committed for construction-related purposes, and \$8,696,152 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the debt service fund, and the capital projects fund) reported combined ending fund balances of \$41,337,496.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2014

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

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

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

**FUND FINANCIAL STATEMENTS**

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

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

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2014

The District has the following kinds of funds:

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net position was \$77,721,967 at August 31, 2014. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2014. *Table 1* indicates the District's net position increased \$5,307,553 in total from the prior year. The details of this increase can be seen in *Table 2*. The District experienced an increase in total revenue of \$9,525,448 due to an increase in property taxes, grant revenues, and the forgiveness of a federal loan. Expenses increased by \$1,473,901 in comparison to 2013. The largest increase occurred in the facilities acquisition and construction function which was partially offset by a significant decrease in the instruction function due to a reallocation of depreciation expense in 2014.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2014

**Table 1**  
**Net Position**

<u>Description</u>	<u>Governmental Activities</u>		<u>Total Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014-2013</u>
Current assets	\$ 54,090,170	\$ 68,813,572	\$ (14,723,402)
Capital assets	95,704,151	97,452,753	(1,748,602)
<b>Total Assets</b>	<u>149,794,321</u>	<u>166,266,325</u>	<u>(16,472,004)</u>
Deferred charge on refunding	2,795,885	3,076,300	(280,415)
<b>Total Deferred Outflows of Resources</b>	<u>2,795,885</u>	<u>3,076,300</u>	<u>(280,415)</u>
Current liabilities	9,260,131	22,074,629	(12,814,498)
Long-term liabilities	65,608,108	74,853,582	(9,245,474)
<b>Total Liabilities</b>	<u>74,868,239</u>	<u>96,928,211</u>	<u>(22,059,972)</u>
<b>Net Position:</b>			
Net investment			
in capital assets	33,651,443	26,478,772	7,172,671
Restricted	11,157,429	11,498,399	(340,970)
Unrestricted	32,913,095	34,437,243	(1,524,148)
<b>Total Net Position</b>	<u>\$ 77,721,967</u>	<u>\$ 72,414,414</u>	<u>\$ 5,307,553</u>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2014

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Total Change 2014-2013
	2014	2013	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 2,294,034	\$ 2,447,666	\$ (153,632)
Operating grants and contributions	19,800,706	20,106,081	(305,375)
General revenues:			
Property taxes	62,413,130	58,879,921	3,533,209
Grants and contributions not restricted for specific programs	9,219,143	8,347,149	871,994
Investment earnings	245,818	228,829	16,989
Other revenue	849,357	287,094	562,263
Special item	5,000,000	-	5,000,000
<b>Total Revenue</b>	<u>99,822,188</u>	<u>90,296,740</u>	<u>9,525,448</u>
<b>Expenses</b>			
Instruction	38,734,547	44,610,316	(5,875,769)
Instructional resources and media services	554,247	823,548	(269,301)
Curriculum/instructional staff development	2,119,695	2,447,867	(328,172)
Instructional leadership	2,545,397	2,503,319	42,078
School leadership	2,922,083	2,812,296	109,787
Guidance, counseling, evaluation services	2,045,318	2,002,050	43,268
Social work services	170,417	168,320	2,097
Health services	708,771	718,101	(9,330)
Student (pupil) transportation	2,750,412	2,455,404	295,008
Food services	4,869,801	4,742,446	127,355
Extracurricular activities	2,040,581	1,975,821	64,760
General administration	2,208,318	1,894,860	313,458
Plant maintenance and operations	7,747,160	7,220,778	526,382
Security and monitoring services	931,726	898,680	33,046
Data processing services	1,692,461	1,662,404	30,057
Community services	446,347	688,171	(241,824)
Debt service - interest	2,045,898	2,349,694	(303,796)
Facilities acquisition and construction	6,405,126	-	6,405,126
Contracted instructional services between public schools	11,629,676	11,234,975	394,701
Payments to shared service agreements	1,494,830	1,530,248	(35,418)
Other intergovernmental charges	451,824	301,436	150,388
<b>Total Expenses</b>	<u>94,514,635</u>	<u>93,040,734</u>	<u>1,473,901</u>
<b>Change in Net Position</b>	5,307,553	(2,743,994)	8,051,547
Beginning net position	72,414,414	75,158,408	(2,743,994)
<b>Ending Net Position</b>	<u>\$ 77,721,967</u>	<u>\$ 72,414,414</u>	<u>\$ 5,307,553</u>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended August 31, 2014

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At the close of the fiscal year ending August 31, 2014, the District's governmental funds reported a combined fund balance of \$41,337,496. This compares to a combined fund balance of \$43,207,535 at August 31, 2013. The fund balance in the general fund decreased by \$2,316,043 prior to net transfers of \$39,791. The District budgeted for a deficiency of revenues under expenditures of \$2,650,752. The decrease can be attributed largely to an increase in payroll, equipment, and supply related expenditures. The Hurricane Ike disaster reimbursement fund reported a special item related to a debt cancellation during the fiscal year. The Hurricane Ike disaster reimbursement fund reported no change in fund balance. The debt service fund increased fund balance by \$771,459 due to property tax collections in excess of debt service payments.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

During the period ended August 31, 2014, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues exceeded budgeted revenues by \$121,235 as a result of more federal funding than anticipated. Total general fund budgeted expenditures exceeded actual expenditures by \$213,474 with the largest positive variances in school leadership, plant maintenance and operations, data processing, and facilities acquisition and construction.

**CAPITAL ASSETS**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) of an amount determined by the Board of Trustees. During the fiscal year ended August 31, 2014, 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, 2014, the District had a total of \$177,305,699 invested in capital assets such as land, buildings, and District equipment. This total includes \$4,721,727 invested during the fiscal year ended August 31, 2014.

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 \$59,104,998 in general obligation bonds outstanding versus \$62,774,998 last year. The District paid \$3,670,000 in principal payments during the year. During the fiscal year FEMA cancelled a note payable of \$5,000,000.

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, 2014

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's budgeted expenditures for the 2014-2015 school year total \$68,414,225, and the District's Board of Trustees adopted a Maintenance and Operations tax rate of \$1.060 and an Interest and Sinking rate of \$0.095 for a combined rate of \$1.155.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

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***BASIC FINANCIAL STATEMENTS***

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF NET POSITION - EXHIBIT A-1*  
August 31, 2014

<u>Data Control Codes</u>		<u>1</u> <u>Governmental Activities</u>
	<b><u>Assets</u></b>	
1110	Cash and cash equivalents	\$ 29,056,706
1225	Property taxes receivables (net)	2,904,211
1240	Due from other governments	20,597,076
1290	Other receivables (net)	48,262
1300	Inventories	254,419
1410	Prepaid items	1,229,496
		<u>54,090,170</u>
	Capital assets:	
1510	Land	4,366,348
1520	Buildings and improvements, net	86,090,986
1530	Furniture and equipment, net	5,246,817
		<u>95,704,151</u>
1000	<b>Total Assets</b>	<u>149,794,321</u>
	<b><u>Deferred Outflows of Resources</u></b>	
1700	Deferred charge on refunding	<u>2,795,885</u>
	<b><u>Liabilities</u></b>	
2110	Accounts payable	1,574,191
2140	Interest payable	170,568
2150	Payroll deductions payable	17,577
2165	Accrued liabilities	1,569,455
2180	Due to other governments	5,919,711
2300	Unearned revenue	8,629
		<u>9,260,131</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within	
2501	one year	3,797,246
2502	Long-term liabilities due in more	
2502	than one year	61,810,862
		<u>65,608,108</u>
2000	<b>Total Liabilities</b>	<u>74,868,239</u>
	<b><u>Net Position</u></b>	
3200	Net investment in capital assets	33,651,443
	Restricted for:	
3820	Federal and state programs	5,656,549
3850	Debt service	4,853,360
3870	Campus activities	165,256
3890	Other purposes	482,264
3900	Unrestricted	32,913,095
3000	<b>Total Net Position</b>	<u>\$ 77,721,967</u>

See Notes to Financial Statements.

# GALVESTON INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2014

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
	<b>Primary Government</b>				
	<b>Governmental Activities</b>				
11	Instruction	\$ 38,734,547	\$ 449,120	\$ 7,803,065	\$ (30,482,362)
12	Instructional resources and media services	554,247	-	262	(553,985)
13	Curriculum/instructional staff development	2,119,695	-	1,575,261	(544,434)
21	Instructional leadership	2,545,397	-	1,090,650	(1,454,747)
23	School leadership	2,922,083	-	18,102	(2,903,981)
31	Guidance, counseling, evaluation services	2,045,318	-	587,860	(1,457,458)
32	Social work services	170,417	-	62,501	(107,916)
33	Health services	708,771	-	230,951	(477,820)
34	Student (pupil) transportation	2,750,412	-	-	(2,750,412)
35	Food services	4,869,801	1,635,609	3,668,055	433,863
36	Extracurricular activities	2,040,581	209,305	13,425	(1,817,851)
41	General administration	2,208,318	-	17,283	(2,191,035)
51	Plant maintenance and operations	7,747,160	-	382,571	(7,364,589)
52	Security and monitoring services	931,726	-	-	(931,726)
53	Data processing services	1,692,461	-	302	(1,692,159)
61	Community services	446,347	-	306,394	(139,953)
72	Debt service - interest	2,045,898	-	-	(2,045,898)
81	Facilities acquisition and construction	6,405,126	-	4,044,024	(2,361,102)
91	Contracted instructional services between public schools	11,629,676	-	-	(11,629,676)
93	Payments to shared service agreements	1,494,830	-	-	(1,494,830)
99	Other intergovernmental charges	451,824	-	-	(451,824)
	<b>Total Governmental Activities</b>	<u>\$ 94,514,635</u>	<u>\$ 2,294,034</u>	<u>\$ 19,800,706</u>	<u>(72,419,895)</u>
TP	<b>Total Primary Government</b>	<u>\$ 94,514,635</u>	<u>\$ 2,294,034</u>	<u>\$ 19,800,706</u>	<u>(72,419,895)</u>
	<b>General Revenues</b>				
MT	Property taxes, levied for general purposes				55,703,670
DT	Property taxes, levied for debt service				6,709,460
SF	State aid - formula grants				7,373,777
GC	Grants not restricted				1,845,366
IE	Investment earnings				245,818
MI	Miscellaneous local and intermediate revenue				849,357
SI	Special item				5,000,000
TR				<b>Total General Revenues</b>	<u>77,727,448</u>
CN				<b>Change in Net Position</b>	5,307,553
NB	Beginning net position				72,414,414
NE				<b>Ending Net Position</b>	<u>\$ 77,721,967</u>

See Notes to Financial Statements.

# GALVESTON INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2014

Data Control Codes	10 General	20 Hurricane Ike Disaster Reimbursement	50 Debt Service	Other Governmental Funds	
<b><u>Assets</u></b>					
1110	Cash and cash equivalents	\$ 15,035,259	\$ -	\$ 4,853,360	\$ 8,387,046
1220	Taxes receivables	3,400,270	-	413,368	-
1230	Allowance for uncollectible taxes	(808,453)	-	(100,974)	-
1240	Due from other governments	-	17,923,976	-	2,673,100
1260	Due from other funds	21,797,009	-	-	5,745,886
1290	Other receivables	25,830	-	-	22,432
1300	Inventories	111,651	-	-	142,768
1410	Prepaid items	1,229,496	-	-	-
1000	<b>Total Assets</b>	<b>\$ 40,791,062</b>	<b>\$ 17,923,976</b>	<b>\$ 5,165,754</b>	<b>\$ 16,971,232</b>
<b><u>Liabilities</u></b>					
2110	Accounts payable	\$ 835,581	\$ -	\$ -	\$ 716,695
2150	Payroll deductions payable	17,577	-	-	-
2160	Accrued wages payable	1,391,736	-	-	177,719
2170	Due to other funds	-	17,923,976	-	9,618,692
2180	Due to other governments	5,917,051	-	-	2,660
2300	Unearned revenue	-	-	-	8,629
2000	<b>Total Liabilities</b>	<b>8,161,945</b>	<b>17,923,976</b>	<b>-</b>	<b>10,524,395</b>
<b><u>Deferred Inflows of Resources</u></b>					
2600	Unavailable revenue - property taxes	2,591,818	-	312,394	-
<b><u>Fund Balances</u></b>					
Nonspendable:					
3410	Inventories	111,651	-	-	142,768
3430	Prepaid items	1,229,496	-	-	-
Restricted:					
3450	Federal/state funds grant restrictions	-	-	-	5,656,549
3480	Debt service	-	-	4,853,360	-
3490	Other restrictions	-	-	-	647,520
Committed:					
3510	Disaster remediation/capital outlay	20,000,000	-	-	-
3600	Unassigned	8,696,152	-	-	-
3000	<b>Total Fund Balances</b>	<b>30,037,299</b>	<b>-</b>	<b>4,853,360</b>	<b>6,446,837</b>
4000	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 40,791,062</b>	<b>\$ 17,923,976</b>	<b>\$ 5,165,754</b>	<b>\$ 16,971,232</b>

See Notes to Financial Statements.

**98**  
**Total**  
**Governmental**  
**Funds**

---

\$ 28,275,665  
3,813,638  
(909,427)  
20,597,076  
27,542,895  
48,262  
254,419  
1,229,496  

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\$ 80,852,024

\$ 1,552,276  
17,577  
1,569,455  
27,542,668  
5,919,711  
8,629  

---

36,610,316

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2,904,212

254,419  
1,229,496

5,656,549  
4,853,360  
647,520

20,000,000  
8,696,152  

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41,337,496

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\$ 80,852,024

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET*  
*TO THE STATEMENT OF NET POSITION - EXHIBIT C-1R*  
August 31, 2014

Total fund balances for governmental funds \$ 41,337,496

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

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

Capital assets - non-depreciable	4,366,348	
Capital assets - depreciable	<u>91,337,803</u>	95,704,151

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

2,904,212

The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position

758,899

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

Accrued interest	(170,568)	
Deferred charge on refunding	2,795,885	
Non-current liabilities due in one year	(3,797,246)	
Non-current liabilities due in more than one year	<u>(61,810,862)</u>	<u>(62,982,791)</u>

**Net Position of Governmental Activities**

**\$ 77,721,967**

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, 2014

Data Control Codes		10 <u>General</u>	20 <u>Hurricane Ike Disaster Reimbursement</u>	50 <u>Debt Service</u>	<u>Other Governmental Funds</u>
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ 56,370,747	\$ -	\$ 6,724,137	\$ 2,523,865
5800	State program revenues	7,373,777	-	-	633,633
5900	Federal program revenues	1,845,366	-	-	19,167,073
5020	<b>Total Revenues</b>	<u>65,589,890</u>	<u>-</u>	<u>6,724,137</u>	<u>22,324,571</u>
<b>Expenditures</b>					
0011	Instruction	30,153,265	-	-	8,316,605
0012	Instruction resources	514,701	-	-	39,546
0013	Curriculum and instructional	535,901	-	-	1,583,794
0021	Instructional leadership	1,424,002	-	-	1,121,395
0023	School leadership	2,903,981	-	-	18,102
0031	Guidance, counseling, evaluation	1,390,556	-	-	654,762
0032	Social work services	107,916	-	-	62,501
0033	Health services	477,820	-	-	230,951
0034	Student (pupil) transportation	2,962,769	-	-	-
0035	Food services	-	-	-	4,758,220
0036	Extracurricular activities	1,868,642	-	-	166,796
0041	General administration	2,139,478	-	-	68,840
0051	Plant maintenance and operations	7,358,344	-	-	445,410
0052	Security and monitoring services	795,005	-	-	-
0053	Data processing services	1,500,113	-	-	27,900
0061	Community services	139,953	-	-	306,394
<b>Debt service:</b>					
0071	Principal	-	-	3,670,000	-
0072	Interest	-	-	2,266,947	-
0073	Bond issuance costs and fees	-	-	15,731	-
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	57,157	-	-	5,065,744
<b>Intergovernmental:</b>					
0091	Contracted instructional services				
0091	between public schools	11,629,676	-	-	-
0093	Payments to shared service arrangements	1,494,830	-	-	-
0099	Other governmental charges	451,824	-	-	-
6030	<b>Total Expenditures</b>	<u>67,905,933</u>	<u>-</u>	<u>5,952,678</u>	<u>22,866,960</u>
1100	<b>Excess (Deficiency) of Revenues</b>				
1100	<b>Over (Under) Expenditures</b>	<u>(2,316,043)</u>	<u>-</u>	<u>771,459</u>	<u>(542,389)</u>
<b>Other Financing Sources (Uses)</b>					
7912	Sale of real and personal property	216,934	-	-	-
7915	Transfers in	-	-	-	1,957,592
8911	Transfers (out)	(256,725)	-	-	(1,700,867)
7080	<b>Total Other Financing Sources (Uses)</b>	<u>(39,791)</u>	<u>-</u>	<u>-</u>	<u>256,725</u>
<b>Special Item</b>					
7918	Debt cancellation (source)	-	5,000,000	-	-
8912	Debt cancellation (use)	-	(5,000,000)	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	<b>Net Change in Fund Balances</b>	(2,355,834)	-	771,459	(285,664)
0100	Beginning fund balances	32,393,133	-	4,081,901	6,732,501
3000	<b>Ending Fund Balances</b>	<u>\$ 30,037,299</u>	<u>\$ -</u>	<u>\$ 4,853,360</u>	<u>\$ 6,446,837</u>

See Notes to Financial Statements.

**98**  
**Total**  
**Governmental**  
**Funds**

---

\$ 65,618,749  
8,007,410  
21,012,439  

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94,638,598

38,469,870  
554,247  
2,119,695  
2,545,397  
2,922,083  
2,045,318  
170,417  
708,771  
2,962,769  
4,758,220  
2,035,438  
2,208,318  
7,803,754  
795,005  
1,528,013  
446,347

3,670,000  
2,266,947  
15,731

5,122,901

11,629,676  
1,494,830  
451,824  

---

96,725,571

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(2,086,973)

216,934  
1,957,592  
(1,957,592)  

---

216,934

5,000,000  
(5,000,000)  

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-

(1,870,039)  
43,207,535  

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\$ 41,337,496

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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, 2014

Net changes in fund balances - total governmental funds \$ (1,870,039)

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	(6,470,329)
Capital outlay	4,721,727

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	16,913
--	--------

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

Principal repayments	3,670,000
Special item - debt cancellation	5,000,000
Accrued interest	18,677
Amortization of loss on bond refunding	(280,415)
Amortization of premiums	531,688
Accreted interest	(33,170)
Change in compensated absences	76,956

Internal service funds are used by management to charge the costs of certain activities, such as self insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(74,455)
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ 5,307,553</b>
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See Notes to Financial Statements.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF NET POSITION*  
*PROPRIETARY FUNDS - EXHIBIT D-1*  
August 31, 2014

Data Control Codes		Internal Service
	<b><u>Assets</u></b>	
1110	Cash and cash equivalents	\$ 781,041
1260	Due from other funds	13
1000		<b>Total Assets</b>
		781,054
	<b><u>Liabilities</u></b>	
	Current liabilities:	
2110	Accounts payable	21,915
2170	Due to other funds	240
2000		<b>Total Liabilities</b>
		22,155
	<b><u>Net Position</u></b>	
3900	Unrestricted net position	758,899
4000		<b>Total Net Position</b>
		\$ 758,899

See Notes to Financial Statements.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION*  
**PROPRIETARY FUNDS - EXHIBIT D-2**  
For the Year Ended August 31, 2014

<u>Data Control Dates</u>		<u>Internal Service</u>
	<b><u>Operating Revenues</u></b>	
5700	Local and intermediate sources	\$ 515,850
5800	State program revenues	474
5020	<b>Total Operating Revenues</b>	<u>516,324</u>
	<b><u>Operating Expenses</u></b>	
6100	Payroll costs	4,821
6200	Professional and contracted services	577,484
6300	Supplies and materials	8,474
6030	<b>Total Operating Expenses</b>	<u>590,779</u>
	<b>Operating (Loss)</b>	<u>(74,455)</u>
1200	<b>Change in Net Position</b>	(74,455)
0100	Beginning net position	<u>833,354</u>
3000	<b>Ending Net Position</b>	<u>\$ 758,899</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, 2014

	<u>Internal Service</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash received from customers	\$ 960,284
Cash payments to employees	(7,378)
Cash payments to suppliers for goods and services	<u>(639,378)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>313,528</u>
<b>Net Increase in Cash and Cash Equivalents</b>	313,528
Beginning cash and cash equivalents	<u>467,513</u>
 <b>Ending Cash and Cash Equivalents</b>	 <u><u>\$ 781,041</u></u>
<b>Reconciliation of Operating (Loss)</b>	
<b>to Net Cash Provided by Operating Activities</b>	
Operating (loss)	\$ (74,455)
Adjustments to reconcile operating income to net cash provided by operating activities:	
<b>Increase (Decrease) in:</b>	
(Increase) decrease in due from other funds	447,907
Increase (decrease) in due to other funds	(34,688)
Increase (decrease) in accounts payable	(22,679)
Increase (decrease) in accrued wages payable	<u>(2,557)</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 313,528</u></u>

See Notes to Financial Statements.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS - EXHIBIT E-1*  
August 31, 2014

	<b>Trust</b>	<b>Student Activity Account</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 206,308	\$ 212,970
Restricted assets	2,210,583	-
<b>Total Assets</b>	<b>\$ 2,416,891</b>	<b>\$ 212,970</b>
<b><u>Liabilities</u></b>		
Current liabilities:		
Accounts payable	\$ 226	\$ 3,738
Due to student groups	-	209,232
<b>Total Liabilities</b>	<b>226</b>	<b>\$ 212,970</b>
<b><u>Net Position</u></b>		
Held in trust	2,416,665	
<b>Total Liabilities and Net Position</b>	<b>\$ 2,416,891</b>	

See Notes to Financial Statements.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS - EXHIBIT E-2*  
For the Year Ended August 31, 2014

	Trust	Student Activity Account
<b><u>Additions</u></b>		
Donations	\$ 29,487	\$ -
Investment income	151,912	-
Other	-	372,687
<b>Total Additions</b>	181,399	372,687
<b><u>Deductions</u></b>		
Operating	295,823	372,687
<b>Total Deductions</b>	295,823	372,687
<b>Changes in Net Position</b>	(114,424)	-
Beginning net position	2,531,089	-
<b>Ending Net Position</b>	\$ 2,416,665	\$ -

See Notes to Financial Statements.

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS*  
For the Year Ended August 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

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

**B. Government-Wide Financial Statements**

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

**C. Basis of Presentation – Government-Wide Financial Statements**

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

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2014

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

**D. Basis of Presentation – Fund Financial Statements**

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

The District reports the following governmental funds:

**General Fund**

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

**Debt Service Fund**

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

**Capital Projects Funds**

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

**Special Revenue Funds**

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

**Proprietary Fund Types**

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

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2014

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

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

**Internal Service Funds**

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

**Fiduciary Funds**

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

**Agency Funds**

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

**Trust Funds**

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

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

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

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

**E. Measurement Focus and Basis of Accounting**

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

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

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

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

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

**1. Cash and Cash Equivalents**

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

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**2. Investments**

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

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

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

**3. Inventories and Prepaid Items**

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

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

**4. Restricted Assets**

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

**5. Capital Assets**

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

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

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

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	20 to 50 years
Vehicles	5 to 15 years
Equipment	3 to 15 years
Library books	10 years

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**7. Compensated Employee Absences**

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

**8. Long-Term Obligations**

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

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

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financial statements only for the portion expected to be financed from expendable, available financial resources.

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

**9. Net Position Flow Assumption**

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

**10. Fund Balance Flow Assumptions**

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

**11. Fund Balance Policies**

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

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions are classified as restricted fund balance.

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

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

**12. Estimates**

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

**13. Data Control Codes**

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

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

**2. Property Taxes**

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

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

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**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Legal or Contractual Provisions**

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

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

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

**B. Expenditures in Excess of Appropriations**

General fund	
Contracted instructional services	\$288,098

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**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of August 31, 2014, the District had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>	<u>Weighted Average Maturity (Years)</u>
Frost Banking Investment - Money Market	N/A	\$ 26,889	0.00
Frost Banking Investment - Mutual Funds	N/A	881,759	0.00
MBIA - Texas CLASS Investment Pool General Fund	N/A	4,841,868	0.00
MBIA - Texas CLASS Investment Pool Debt Service Fund	N/A	1,281,640	0.00
		<u>\$ 7,032,156</u>	
Portfolio weighted average maturity			0.000

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

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s investment policy requires funds on deposit at the depository bank to be collateralized. As of August 31, 2014, checking accounts were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A portion of the District’s investments are held in external investment pools which are not subject to custodial credit risk. At year end, the District had \$6,123,508 invested in the Cooperative Liquid Assets Securities System-Texas (CLASS) Investment Pool.

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

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Texas CLASS operates in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. Texas CLASS uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in Texas CLASS is the same as the value of Texas CLASS shares.

**B. Capital Assets**

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

<b>Governmental Activities:</b>	<u>Beginning Balances*</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 4,399,303	\$ 17,302	\$ (50,257)	\$ 4,366,348
<b>Total Capital Assets Not Being Depreciated</b>	<u>4,399,303</u>	<u>17,302</u>	<u>(50,257)</u>	<u>4,366,348</u>
Other capital assets:				
Buildings and improvements	155,066,025	4,076,631	-	159,142,656
Furniture and equipment	8,862,284	216,076	-	9,078,360
Vehicles	4,246,780	461,975	-	4,708,755
Land improvements	9,580	-	-	9,580
<b>Total Other Capital Assets</b>	<u>168,184,669</u>	<u>4,754,682</u>	<u>-</u>	<u>172,939,351</u>
Less accumulated depreciation for:				
Buildings and improvements	(67,679,348)	(5,380,704)	-	(73,060,052)
Furniture and equipment	(5,854,887)	(747,850)	-	(6,602,737)
Vehicles	(1,596,744)	(340,817)	-	(1,937,561)
Land improvements	(240)	(958)	-	(1,198)
<b>Total Accumulated Depreciation</b>	<u>(75,131,219)</u>	<u>(6,470,329)</u>	<u>-</u>	<u>(81,601,548)</u>
Other capital assets, net	93,053,450	(1,715,647)	-	91,337,803
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 97,452,753</u>	<u>\$ (1,698,345)</u>	<u>\$ (50,257)</u>	<u>95,704,151</u>
			Less associated debt	(64,848,593)
			Plus deferred charge on refunding	<u>2,795,885</u>
			<b>Net Investment in Capital Assets</b>	<u>\$ 33,651,443</u>

\*Beginning balances have been restated.

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Depreciation was charged to governmental functions as follows:

	<b>Governmental Activities</b>
11 Instruction	\$ 279,178
34 Student transportation	237,618
35 Food services	124,930
36 Extracurricular activities	25,437
51 Plant maintenance and operations	77,560
52 Security and monitoring services	136,721
53 Data processing services	171,017
81 Facilities acquisition and construction	5,417,868
<b>Total Depreciation Expense</b>	<b>\$ 6,470,329</b>

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**C. Long-Term Debt**

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

Governmental Activities:	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
Bonds payable:					
Series 2003 4.00%	\$ 2,040,000	\$ -	\$ (2,040,000)	\$ -	\$ -
Series 2004 4.375 - 4.750%	1,505,000	-	(1,505,000)	-	-
Series 2008 4.00%	5,005,000	-	-	5,005,000	1,175,000
Series 2011 2.00 - 3.00%	8,469,998	-	(100,000)	8,369,998	100,000
Series 2012 2.00 - 4.00%	9,115,000	-	(25,000)	9,090,000	25,000
Series 2013 2.00 - 5.00%	36,640,000	-	-	36,640,000	2,495,000
	<u>62,774,998</u>	<u>-</u>	<u>(3,670,000)</u>	<u>59,104,998</u>	<u>* 3,795,000</u>
Notes payable:					
FEMA 1.875%	5,000,000	-	(5,000,000) **	-	-
	<u>5,000,000</u>	<u>-</u>	<u>(5,000,000)</u>	<u>-</u>	<u>* -</u>
Other liabilities:					
Compensated absences	79,451	-	(76,956)	2,495	2,246
Unamortized premium	6,275,283	-	(531,688)	5,743,595	*
Accreted interest	723,850	33,170	-	757,020	-
<b>Total Governmental Activities</b>	<u>\$ 74,853,582</u>	<u>\$ 33,170</u>	<u>\$ (9,278,644)</u>	<u>\$ 65,608,108</u>	<u>\$ 3,797,246</u>
				<u>Long-term liabilities due in more than one year</u>	<u>\$ 61,810,862</u>
				<u>*Debt associated with capital assets</u>	<u>\$ 64,848,593</u>

\*\* Note payable was cancelled.

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

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

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For the Year Ended August 31, 2014

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

Year Ended Aug 31	Principal	Interest	Total Requirements
2015	\$ 3,795,000	\$ 2,149,800	\$ 5,944,800
2016	3,930,000	2,022,500	5,952,500
2017	4,370,000	1,865,738	6,235,738
2018	4,510,000	1,727,925	6,237,925
2019	3,100,000	1,593,088	4,693,088
2020-2024	17,219,999	7,310,227	24,530,226
2025-2029	22,179,999	1,997,025	24,177,024
	<u>\$ 59,104,998</u>	<u>\$ 18,666,303</u>	<u>\$ 77,771,301</u>

**D. Commitments Under Noncapitalized Leases**

During the year, the District expended a total of \$34,208 for operating (non-capitalized) leases and, in accordance with standard non-appropriation clauses in the various lease agreements, the District has no future obligation in relation to these leases.

**E. Interfund Transactions**

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

	<u>Due From Other Funds</u>
General fund	
Hurricane Ike fund	\$ 13,878,957
Other governmental funds	7,917,825
Internal service funds	227
<b>Total General Fund</b>	<u>21,797,009</u>
Other governmental funds	
Hurricane Ike fund	4,045,019
Other governmental funds	1,700,867
<b>Total Other Governmental Funds</b>	<u>5,745,886</u>
Internal service fund	
Internal service fund	13
<b>Total Internal Service Fund</b>	<u>13</u>
<b>Total</b>	<u>\$ 27,542,908</u>

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

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Transfers In	Transfers Out	Amount
Other Governmental Funds	General Fund	\$ 256,725
Other Governmental Funds	Other Governmental Funds	1,700,867
	<b>Total</b>	<b>\$ 1,957,592</b>

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

**F. Restatement of Net Position**

The beginning net position for governmental activities has been restated to account for an adjustment to capital asset and accumulated depreciation beginning balances based upon a physical inventory performed by the District during the fiscal year.

The beginning fund balance and net position were restated as follows:

	<b>Governmental Activities</b>
Beginning fund balance/net position - as reported	\$ 76,469,919
Restatement - capital assets	(9,496,642)
Restatement - accumulated depreciation	5,441,137
Beginning fund balance/net position - restated	<b>\$ 72,414,414</b>

**IV. OTHER INFORMATION**

**A. Risk Management**

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

**B. Contingent Liabilities**

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

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

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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.

**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 System. 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 6.4 percent of their annual covered salary and the State of Texas contributes an amount equal to 6.0 percent of the District's covered payroll for fiscal year 2014, 6.4 percent for fiscal year 2013, and 6.0 percent for fiscal year 2012. The District's employees' contributions to the System for the years ending August 31, 2014, 2013, and 2012 were \$2,346,141, \$2,355,271, and \$2,502,768, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2014, 2013, and 2012 were \$695,715, \$696,467, and \$696,815, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$2,149,650 for the year ending August 31, 2014.

# **GALVESTON INDEPENDENT SCHOOL DISTRICT**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended August 31, 2014**

### **D. Retiree Health Care Plan**

#### Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (“TRS-Care”), a cost-sharing, multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and Required Supplementary Information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://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 one percent and 0.65 percent of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55 percent for fiscal years 2014, 2013, and 2012. 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, 2014, 2013, and 2012, the State’s contributions to TRS-Care were \$27,055, \$34,097, and \$69,515, respectively; the active member contributions were \$238,280, \$239,207, and \$254,188, respectively; and the District’s contributions were \$201,621, \$202,406, and \$215,082, respectively; which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2014, 2013, and 2012, the subsidy payments received by TRS-Care on behalf of the District were \$99,848, \$98,158, and \$99,742, respectively.

### **E. Employee Health Care Coverage**

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the “Plan”). The District paid premiums of \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependants. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2014 and terms of coverage and premiums costs are included in the contractual provisions.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2014

**F. Workers' Compensation**

TASB Risk Management Fund

During the year ended August 31, 2014, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2013, the Fund carries a discounted reserve of \$57,050,754 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2014, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**G. Unemployment Compensation**

During the year ended August 31, 2014, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 701 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the unemployment compensation pool. For the year ended August 31, 2014, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of the contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2014

**H. Shared Service Arrangements**

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

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

**Visually Impaired Program - Fund 446**

Member Districts

La Marque ISD	\$	12,216
Texas City ISD		12,216
Galveston ISD		36,647
<b>Total</b>	<b>\$</b>	<b>61,079</b>

**Supplemental Visually Impaired for Special Education - Fund 434**

Member Districts

Hitchcock ISD	\$	6,342
Texas City ISD		6,342
Dickinson ISD		12,683
Galveston ISD		19,026
Friendswood ISD		19,026
<b>Total</b>	<b>\$</b>	<b>63,419</b>

**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 \$43,400,000. The District expects to receive approximately \$8,400,000 in insurance proceeds. The Federal Emergency Management Agency (FEMA) has already paid the District approximately \$17,300,000 under various grant programs and another \$17,923,976 is anticipated based on expenses incurred to date. However, some additional expenses have yet to be incurred. It is anticipated that FEMA will pay only 90 percent of expenses incurred, less insurance proceeds. The remaining ten percent shall be covered by the District. While many of these expenditures incurred by the District are expected to be reimbursed by FEMA, it has been the experience of other local governments in the area that application of policies and procedures has varied and the exact amount that will be recovered is unknown. In addition, as costs are still being incurred, the exact cost cannot be determined. The Department of Homeland Security has begun to review the State of Texas' and FEMA's handling of

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2014

other governments' claims and have been critical of the handling of these agencies. Such reviews could additionally impact the amount received by the District. Management of the District has estimated the damages incurred, the insurance proceeds remaining, and the amounts it anticipates to recover from FEMA. However, the amount ultimately expended by the District, received from insurance proceeds, and paid by FEMA could vary significantly.

**J. Special Item**

On October 30, 2013, the District submitted an application for cancellation of the Community Disaster Loan (CDL) issued on April 3, 2009 as a result of a major disaster declaration related to Hurricane Ike. The application for full cancellation of the loaned funds, as well as any interest accrued, was approved by FEMA. As a result, the \$5,000,000 of note payable to FEMA was cancelled.

**K. Subsequent Event**

Municipalities Continuing Disclosure Cooperation Initiative

Subsequent to year end, the District self-reported under the Municipalities Continuing Disclosure Cooperation Initiative (the "MCDC") program an oversight related to 2006 filing which was approximately 59 days late. The MCDC is an enforcement initiative that allows issuers of municipal bonds, such as the District, to self-report certain potential violations of the securities laws in exchange for lighter punishments, in contrast to harsh penalties threatened for violations by those who do not participate in the program. As a result of this self-reporting the District would not be subject to monetary penalties under the MCDC program, unless the SEC made the unlikely ruling that the District's compliance with Continuing Disclosure Agreements were materially misleading. Accordingly, this self-report is made out of an abundance of caution to mitigate penalties, if any, related to the delay in making the 2006 filing.

U.S. Environmental Protection Agency (EPA) Notice of Liability

On October 28, 2008 GISD received notice from the U.S. Environmental Protection Agency (EPA) that the District was responsible for a *de minimis* share of the responsibility to clean up the hazardous substances of the Malone Service Company Superfund Site in Texas City. Superfund is a program administered by EPA that is designed to clean up hazardous substances that may pose a threat to human health or the environment. The notification offered a special *de minimis* party settlement to resolve potential liability that the District had under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly known as the federal "superfund law". GISD's liability was determined to be \$12,497 for the disposal of 48,350 gallons of corrosive liquid, waste gasoline, water flammable liquid and grease from kitchen grease traps.

Prior administration requested school attorneys Rogers, Morris & Grover (RMG) to ask for an Ability to Pay (ATP) analysis, which was a request for dispensation on the basis of the District's financial inability to contribute fully toward the payment of response costs. The matter was tabled by EPA until April 29, 2014 when a new demand letter was received, directing the District to prove its inability to pay. If the settlement had been paid the District would have received:

1. A covenant not to sue, which is a promise that EPA will not bring any future legal action against the settling party for the specific matters addressed in the settlement, and

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2014

2. Protection from contribution claims, which provides a settling party with protection from being sued in a contribution action by other responsible parties for the specific matters addressed in the settlement.

Rogers, Morris & Grover indicated on May 22, 2014 that the District might still be able to get the covenant protection, and that the protection offered in the settlement agreement would protect against a third party action. RMG followed up with a request to EPA to allow the District to make the payment of \$12,497 and extend the original settlement offer. On December 4, 2014 the District received a draft de *minimis* settlement offer for review from the EPA. To date no payment has been made by the District.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE*  
**BUDGET AND ACTUAL - GENERAL FUND - EXHIBIT G-1**  
For the Year Ended August 31, 2014

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget
		Original	Final		
<b>Revenues</b>					
5700	Local and intermediate sources	\$ 55,253,940	\$ 56,359,000	\$ 56,370,747	\$ 11,747
5800	State program revenues	7,050,171	7,388,655	7,373,777	(14,878)
5900	Federal program revenues	945,000	1,721,000	1,845,366	124,366
5020	<b>Total Revenues</b>	<u>63,249,111</u>	<u>65,468,655</u>	<u>65,589,890</u>	<u>121,235</u>
<b>Expenditures</b>					
0011	Instruction	29,886,887	30,155,648	30,153,265	2,383
0012	Instruction resources	486,098	516,033	514,701	1,332
0013	Curriculum and instructional	544,760	558,048	535,901	22,147
0021	Instructional leadership	1,219,023	1,424,600	1,424,002	598
0023	School leadership	2,703,465	2,966,118	2,903,981	62,137
0031	Guidance, counseling, evaluation	1,213,861	1,391,680	1,390,556	1,124
0032	Social work services	103,681	109,249	107,916	1,333
0033	Health services	614,043	477,991	477,820	171
0034	Student (pupil) transportation	2,505,700	2,963,694	2,962,769	925
0035	Food services	18,525	-	-	-
0036	Extracurricular activities	1,615,543	1,869,438	1,868,642	796
0041	General administration	1,968,170	2,145,277	2,139,478	5,799
0051	Plant maintenance and operations	7,307,380	7,600,955	7,358,344	242,611
0052	Security and monitoring services	779,513	795,295	795,005	290
0053	Data processing services	1,390,809	1,540,351	1,500,113	40,238
0061	Community services	129,080	139,975	139,953	22
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	142,500	173,873	57,157	116,716
<b>Intergovernmental:</b>					
0091	Contracted instructional services	11,222,043	11,341,578	11,629,676	(288,098) *
0093	Payments to shared service arrangements	1,831,780	1,497,780	1,494,830	2,950
0099	Other governmental charges	415,000	451,824	451,824	-
6030	<b>Total Expenditures</b>	<u>66,097,861</u>	<u>68,119,407</u>	<u>67,905,933</u>	<u>213,474</u>
1100	<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(2,848,750)</u>	<u>(2,650,752)</u>	<u>(2,316,043)</u>	<u>334,709</u>
<b>Other Financing Sources (Uses)</b>					
7912	Sale of real and personal property	-	-	216,934	216,934
8911	Transfers (out)	-	(256,725)	(256,725)	-
7080	<b>Total Other Financing (Uses)</b>	<u>-</u>	<u>(256,725)</u>	<u>(39,791)</u>	<u>216,934</u>
1200	<b>Net Change in Fund Balance</b>	<u>(2,848,750)</u>	<u>(2,907,477)</u>	<u>(2,355,834)</u>	<u>551,643</u>
0100	Beginning fund balance	32,393,133	32,393,133	32,393,133	-
3000	<b>Ending Fund Balance</b>	<u>\$ 29,544,383</u>	<u>\$ 29,485,656</u>	<u>\$ 30,037,299</u>	<u>\$ 551,643</u>

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. \*Expenditures exceeded appropriations at the legal level of control.

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***OTHER SUPPLEMENTARY  
INFORMATION***

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING BALANCE SHEET*  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 1 of 3)**  
August 31, 2014

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
<b><u>Assets</u></b>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from other governments	74,643	504,187	201,674	10,001
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	<b>Total Assets</b>	<b>\$ 74,643</b>	<b>\$ 504,187</b>	<b>\$ 201,674</b>	<b>\$ 10,001</b>
<b><u>Liabilities</u></b>					
2110	Accounts payable	\$ 15,903	\$ 17,193	\$ 6,468	\$ -
2160	Accrued wages payable	-	51,902	45,125	2,155
2170	Due to other funds	58,740	435,092	150,081	7,846
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	<b>Total Liabilities</b>	<b>74,643</b>	<b>504,187</b>	<b>201,674</b>	<b>10,001</b>
<b><u>Fund Balances</u></b>					
Nonspendable:					
3410	Inventories	-	-	-	-
Restricted:					
3450	Federal/State fund grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3600	Unassigned	-	-	-	-
3000	<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 74,643</b>	<b>\$ 504,187</b>	<b>\$ 201,674</b>	<b>\$ 10,001</b>

**Special Revenue Funds**

240	244	255	258	263	265
National School Breakfast and Lunch Program	Career and Technical Basic	ESEA Title II Part A Training	Public Charter Schools	Title III ELA	21st Century Grant
\$ 3,169,112	\$ -	\$ -	\$ -	\$ -	\$ -
-	20,441	101,636	59,977	23,206	438,454
-	-	-	-	-	-
-	-	-	-	-	-
142,768	-	-	-	-	-
<u>\$ 3,311,880</u>	<u>\$ 20,441</u>	<u>\$ 101,636</u>	<u>\$ 59,977</u>	<u>\$ 23,206</u>	<u>\$ 438,454</u>
\$ 21,090	\$ 458	\$ 20,023	\$ -	\$ 3,812	\$ 393
37,462	-	-	-	939	-
250,466	19,983	81,613	59,977	18,455	438,061
-	-	-	-	-	-
-	-	-	-	-	-
<u>309,018</u>	<u>20,441</u>	<u>101,636</u>	<u>59,977</u>	<u>23,206</u>	<u>438,454</u>
142,768	-	-	-	-	-
2,860,094	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,002,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,311,880</u>	<u>\$ 20,441</u>	<u>\$ 101,636</u>	<u>\$ 59,977</u>	<u>\$ 23,206</u>	<u>\$ 438,454</u>

# GALVESTON INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

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

August 31, 2014

Data Control Codes		Special Revenue Funds			
		277	280	286	288
		Youth Career Connect	Teacher Incentive	Title I SIP Academy Grant ARRA	Literacy Through School Libraries
<b><u>Assets</u></b>					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from other governments	2,521	211,571	623	607,322
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	<b>Total Assets</b>	\$ 2,521	\$ 211,571	\$ 623	\$ 607,322
<b><u>Liabilities</u></b>					
2110	Accounts payable	\$ -	\$ 63,000	\$ -	\$ 60,917
2160	Accrued wages payable	-	-	-	31,713
2170	Due to other funds	2,521	148,571	623	514,692
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	<b>Total Liabilities</b>	2,521	211,571	623	607,322
<b><u>Fund Balances</u></b>					
Nonspendable:					
3410	Inventories	-	-	-	-
Restricted:					
3450	Federal/State fund grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-
3600	Unassigned	-	-	-	-
3000	<b>Total Fund Balances</b>	-	-	-	-
4000	<b>Total Liabilities and Fund Balances</b>	\$ 2,521	\$ 211,571	\$ 623	\$ 607,322

**Special Revenue Funds**

397	410	427	429	434	446
Advanced Placement Incentives	State Textbook	State Funded Special Revenue	Miscellaneous State Special Revenue Program	Supplemental Visually Impaired	Shared Service Locally Defined
\$ 8,629	\$ 46,846	\$ 5,129	\$ 4,492,193	\$ -	\$ -
-	416,844	-	-	-	-
-	-	-	-	-	-
-	-	-	-	19,468	2,964
-	-	-	-	-	-
<u>\$ 8,629</u>	<u>\$ 463,690</u>	<u>\$ 5,129</u>	<u>\$ 4,492,193</u>	<u>\$ 19,468</u>	<u>\$ 2,964</u>
\$ -	\$ 463,690	\$ -	\$ -	\$ -	\$ -
-	-	-	-	5,459	2,964
-	-	-	1,700,867	12,269	-
-	-	-	-	1,740	-
8,629	-	-	-	-	-
<u>8,629</u>	<u>463,690</u>	<u>-</u>	<u>1,700,867</u>	<u>19,468</u>	<u>2,964</u>
-	-	-	-	-	-
-	-	5,129	2,791,326	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>5,129</u>	<u>2,791,326</u>	<u>-</u>	<u>-</u>
<u>\$ 8,629</u>	<u>\$ 463,690</u>	<u>\$ 5,129</u>	<u>\$ 4,492,193</u>	<u>\$ 19,468</u>	<u>\$ 2,964</u>

# GALVESTON INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

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

August 31, 2014

Data Control Codes		Special Revenue Funds			
		461	480	484	486
		Campus Activity	BHS Booster Club Donations	Galveston Educational Foundation	Miscellaneous Donations
	<b><u>Assets</u></b>				
1110	Cash and cash equivalents	\$ 167,687	\$ 224,886	\$ -	\$ 67,855
1240	Due from other governments	-	-	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	<b>Total Assets</b>	\$ 167,687	\$ 224,886	\$ -	\$ 67,855
	<b><u>Liabilities</u></b>				
2110	Accounts payable	\$ 2,430	\$ 5,423	\$ -	\$ 969
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	1	-	-	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	-	-	-	-
2000	<b>Total Liabilities</b>	2,431	5,423	-	969
	<b><u>Fund Balances</u></b>				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/State fund grant restrictions	-	-	-	-
3490	Other restrictions of fund balance	165,256	219,463	-	66,886
3600	Unassigned	-	-	-	-
3000	<b>Total Fund Balances</b>	165,256	219,463	-	66,886
4000	<b>Total Liabilities and Fund Balances</b>	\$ 167,687	\$ 224,886	\$ -	\$ 67,855

<b>Special Revenue Funds</b>			
<b>491</b>	<b>499</b>	<b>699</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Ike Donation</b>	<b>Other Special Revenue</b>	<b>Capital Projects</b>	
\$ 6,354	\$ 19,641	\$ 178,714	\$ 8,387,046
-	-	-	2,673,100
-	-	5,745,886	5,745,886
-	-	-	22,432
-	-	-	142,768
<u>\$ 6,354</u>	<u>\$ 19,641</u>	<u>\$ 5,924,600</u>	<u>\$ 16,971,232</u>
\$ -	\$ -	\$ 34,926	\$ 716,695
-	-	-	177,719
-	-	5,718,834	9,618,692
-	920	-	2,660
-	-	-	8,629
<u>-</u>	<u>920</u>	<u>5,753,760</u>	<u>10,524,395</u>
-	-	-	142,768
-	-	-	5,656,549
6,354	18,721	170,840	647,520
-	-	-	-
<u>6,354</u>	<u>18,721</u>	<u>170,840</u>	<u>6,446,837</u>
<u>\$ 6,354</u>	<u>\$ 19,641</u>	<u>\$ 5,924,600</u>	<u>\$ 16,971,232</u>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,*  
*AND CHANGES IN FUND BALANCES*  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 1 of 3)**  
For the Year Ended August 31, 2014

Data Control Codes		Special Revenue Funds			
		206	211	224	225
		ESEA Title X Part C Homeless Children	Part A Improving Basic Prog	IDEA-B Formula	IDEA-B Preschool
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	157,493	2,796,744	1,192,309	57,395
5020	<b>Total Revenues</b>	<u>157,493</u>	<u>2,796,744</u>	<u>1,192,309</u>	<u>57,395</u>
<b>Expenditures</b>					
Current:					
0011	Instruction	34,603	1,678,597	658,694	57,395
0012	Instruction resources	-	-	-	-
0013	Curriculum and instructional	-	634,442	10,874	-
0021	Instructional leadership	-	170,116	75	-
0023	School leadership	-	17,349	-	-
0031	Guidance, counseling, evaluation	-	263	522,666	-
0032	Social work services	-	62,501	-	-
0033	Health services	-	230,951	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	122,890	2,525	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	<b>Total Expenditures</b>	<u>157,493</u>	<u>2,796,744</u>	<u>1,192,309</u>	<u>57,395</u>
<b>Other Financing Sources (Uses)</b>					
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	-	-
1200	<b>Net Change in Fund Balances</b>	-	-	-	-
0100	Beginning fund balances	-	-	-	-
3000	<b>Ending Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Special Revenue Funds**

240	244	255	258	263	265
National School Breakfast and Lunch Program	Career and Technical Basic	ESEA Title II Part A Training	Public Charter Schools	Title III ELA	21st Century Grant
\$ 1,635,609	\$ -	\$ -	\$ -	\$ -	\$ -
21,159	-	-	-	-	-
<u>3,838,396</u>	<u>100,454</u>	<u>533,350</u>	<u>193,586</u>	<u>112,565</u>	<u>1,429,231</u>
<u>5,495,164</u>	<u>100,454</u>	<u>533,350</u>	<u>193,586</u>	<u>112,565</u>	<u>1,429,231</u>
-	42,171	222,758	193,324	31,585	1,081,002
-	-	-	262	-	-
-	-	286,544	-	79,052	476
-	1,516	7,999	-	1,928	132,629
-	-	753	-	-	-
-	56,767	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,758,220	-	-	-	-	-
-	-	-	-	-	13,425
-	-	15,296	-	-	-
190,685	-	-	-	-	157,201
-	-	-	-	-	-
-	-	-	-	-	44,498
-	-	-	-	-	-
<u>4,948,905</u>	<u>100,454</u>	<u>533,350</u>	<u>193,586</u>	<u>112,565</u>	<u>1,429,231</u>
-	-	-	-	-	-
-	-	-	-	-	-
546,259	-	-	-	-	-
<u>2,456,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 3,002,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,*  
*AND CHANGES IN FUND BALANCES*  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 2 of 3)**  
For the Year Ended August 31, 2014

Data Control Codes		Special Revenue Funds			
		277	280	286	288
		Youth Career Connect	Teacher Incentive	Title I SIP Academy Grant ARRA	Literacy Through School Libraries
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	3,465	1,667,721	151,906	2,887,439
5020	<b>Total Revenues</b>	<u>3,465</u>	<u>1,667,721</u>	<u>151,906</u>	<u>2,887,439</u>
<b>Expenditures</b>					
Current:					
0011	Instruction	73	1,455,115	138,521	1,646,880
0012	Instruction resources	-	-	-	-
0013	Curriculum and instructional	-	-	4,272	549,689
0021	Instructional leadership	1,209	212,606	1,681	556,572
0023	School leadership	-	-	-	-
0031	Guidance, counseling, evaluation	-	-	7,432	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	2,183	-	-	134,298
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	-	-	-	-
6030	<b>Total Expenditures</b>	<u>3,465</u>	<u>1,667,721</u>	<u>151,906</u>	<u>2,887,439</u>
<b>Other Financing Sources (Uses)</b>					
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	-	-
1200	<b>Net Change in Fund Balances</b>	-	-	-	-
0100	Beginning fund balances	-	-	-	-
3000	<b>Ending Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Funds					
397	410	427	429	434	446
Advanced Placement Incentives	State Textbook	State Funded Special Revenue	Miscellaneous State Special Revenue Program	Supplemental Visually Impaired	Shared Service Locally Defined
\$ -	\$ -	\$ -	\$ -	\$ 63,419	\$ 61,385
9,823	541,978	3,946	43,717	-	3,776
-	-	-	-	-	-
<u>9,823</u>	<u>541,978</u>	<u>3,946</u>	<u>43,717</u>	<u>63,419</u>	<u>65,161</u>
-	541,978	-	27,920	63,022	65,161
-	-	-	-	-	-
9,823	-	-	-	397	-
-	-	-	15,797	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	84,645	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	47,921	-	-
<u>9,823</u>	<u>541,978</u>	<u>-</u>	<u>176,283</u>	<u>63,419</u>	<u>65,161</u>
-	-	-	-	-	-
-	-	-	(1,700,867)	-	-
-	-	3,946	(1,833,433)	-	-
-	-	1,183	4,624,759	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,129</u>	<u>\$ 2,791,326</u>	<u>\$ -</u>	<u>\$ -</u>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF REVENUES, EXPENDITURES,*  
*AND CHANGES IN FUND BALANCES*  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2 (Page 3 of 3)**  
For the Year Ended August 31, 2014

Data Control Codes		Special Revenue Funds			
		461	480	484	486
		Campus Activity	BHS Booster Club Donations	Galveston Educational Foundation	Miscellaneous Donations
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ 209,305	\$ 229,831	\$ 145,286	\$ 61,220
5800	State program revenues	-	-	5,824	-
5900	Federal program revenues	-	-	-	-
5020	<b>Total Revenues</b>	<u>209,305</u>	<u>229,831</u>	<u>151,110</u>	<u>61,220</u>
<b>Expenditures</b>					
Current:					
0011	Instruction	43,936	10,368	92,651	32,001
0012	Instruction resources	39,284	-	-	-
0013	Curriculum and instructional	-	-	-	-
0021	Instructional leadership	-	-	6,915	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, evaluation	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	138,385	-	-	14,986
0041	General administration	-	-	51,544	2,000
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	<b>Total Expenditures</b>	<u>221,605</u>	<u>10,368</u>	<u>151,110</u>	<u>48,987</u>
<b>Other Financing Sources (Uses)</b>					
7915	Transfers in	-	-	-	-
8911	Transfers (out)	-	-	-	-
1200	<b>Net Change in Fund Balances</b>	<u>(12,300)</u>	<u>219,463</u>	<u>-</u>	<u>12,233</u>
0100	Beginning fund balances	<u>177,556</u>	<u>-</u>	<u>-</u>	<u>54,653</u>
3000	<b>Ending Fund Balances</b>	<u>\$ 165,256</u>	<u>\$ 219,463</u>	<u>\$ -</u>	<u>\$ 66,886</u>

<b>Special Revenue Funds</b>			
<b>491</b>	<b>499</b>	<b>699</b>	<b>Total</b>
<b>Ike</b>	<b>Other</b>	<b>Capital</b>	<b>Nonmajor</b>
<b>Donation</b>	<b>Special</b>	<b>Projects</b>	<b>Governmental</b>
	<b>Revenue</b>		<b>Funds</b>
\$ -	\$ 117,810	\$ -	\$ 2,523,865
-	3,410	-	633,633
-	-	4,045,019	19,167,073
-	<u>121,220</u>	<u>4,045,019</u>	<u>22,324,571</u>
-	198,850	-	8,316,605
-	-	-	39,546
-	8,225	-	1,583,794
-	12,352	-	1,121,395
-	-	-	18,102
-	67,634	-	654,762
-	-	-	62,501
-	-	-	230,951
-	-	-	4,758,220
-	-	-	166,796
-	-	-	68,840
-	-	12,879	445,410
-	27,900	-	27,900
-	-	-	306,394
-	-	5,017,823	5,065,744
-	<u>314,961</u>	<u>5,030,702</u>	<u>22,866,960</u>
-	-	1,957,592	1,957,592
-	-	-	(1,700,867)
-	(193,741)	971,909	(285,664)
<u>6,354</u>	<u>212,462</u>	<u>(801,069)</u>	<u>6,732,501</u>
<u>\$ 6,354</u>	<u>\$ 18,721</u>	<u>\$ 170,840</u>	<u>\$ 6,446,837</u>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF NET POSITION*  
*INTERNAL SERVICE FUNDS - EXHIBIT H-3*  
August 31, 2014

Data Control Codes		748	753	771	772
		<u>Concession</u>	<u>Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Care Here</u>
	<b><u>Assets</u></b>				
1110	Cash and cash equivalents	\$ 16,226	\$ -	\$ 665,119	\$ 41,325
1260	Due from other funds	-	13	-	-
1000	<b>Total Assets</b>	<u>16,226</u>	<u>13</u>	<u>665,119</u>	<u>41,325</u>
	<b><u>Liabilities</u></b>				
	Current liabilities:				
2110	Accounts payable	-	13	-	21,902
2170	Due to other funds	-	-	240	-
2000	<b>Total Liabilities</b>	<u>-</u>	<u>13</u>	<u>240</u>	<u>21,902</u>
	<b><u>Net Position</u></b>				
3900	Unrestricted	16,226	-	664,879	19,423
4000	<b>Total Net Position</b>	<u>\$ 16,226</u>	<u>\$ -</u>	<u>\$ 664,879</u>	<u>\$ 19,423</u>



**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF REVENUES, EXPENSES, AND*  
*CHANGES IN NET POSITION*  
**INTERNAL SERVICE FUNDS - EXHIBIT H-4**  
For the Year Ended August 31, 2014

Data Control Dates		748	753	771	772
		<u>Concession</u>	<u>Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Care Here</u>
	<b><u>Operating Revenues</u></b>				
5700	Local and intermediate sources	\$ 26,697	\$ -	\$ 8,989	\$ 471,259
5800	State program revenues	474	-	-	-
5020	<b>Total Operating Revenues</b>	<u>27,171</u>	<u>-</u>	<u>8,989</u>	<u>471,259</u>
	<b><u>Operating Expenses</u></b>				
6100	Payroll costs	4,821	-	-	-
6200	Professional and contracted services	-	-	125,648	451,836
6300	Supplies and materials	6,124	-	2,350	-
6030	<b>Total Expenses</b>	<u>10,945</u>	<u>-</u>	<u>127,998</u>	<u>451,836</u>
	<b>Operating Income (Loss)</b>	<u>16,226</u>	<u>-</u>	<u>(119,009)</u>	<u>19,423</u>
1200	<b>Change in Net Position</b>	16,226	-	(119,009)	19,423
0100	Beginning net position	<u>-</u>	<u>-</u>	<u>783,888</u>	<u>-</u>
3000	<b>Ending Net Position</b>	<u>\$ 16,226</u>	<u>\$ -</u>	<u>\$ 664,879</u>	<u>\$ 19,423</u>



**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF CASH FLOWS*  
*INTERNAL SERVICE FUNDS - EXHIBIT H-5*  
For the Year Ended August 31, 2014

	748	753	771	772
	<u>Concession</u>	<u>Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Care Here</u>
<b><u>Cash Flows from Operating Activities</u></b>				
Cash received from customers	\$ 27,171	\$ -	\$ 429,748	\$ 494,460
Cash payments to employees	(7,378)	-	-	-
Cash payments to suppliers for services	(7,326)	(30,728)	(140,198)	(461,126)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>12,467</u>	<u>(30,728)</u>	<u>289,550</u>	<u>33,334</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	12,467	(30,728)	289,550	33,334
Beginning cash and cash equivalents	<u>3,759</u>	<u>30,728</u>	<u>375,569</u>	<u>7,991</u>
<b>Ending Cash and Cash Equivalents</b>	<u>\$ 16,226</u>	<u>\$ -</u>	<u>\$ 665,119</u>	<u>\$ 41,325</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ 16,226	\$ -	\$ (119,009)	\$ 19,423
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
<b>Increase (Decrease) in:</b>				
(Increase) decrease in due from other funds	-	2,087	420,519	25,301
Increase (decrease) in due to other funds	-	(32,828)	240	(2,100)
Increase (decrease) in accounts payable	(1,202)	13	(12,200)	(9,290)
Increase (decrease) in accrued wages payable	(2,557)	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 12,467</u>	<u>\$ (30,728)</u>	<u>\$ 289,550</u>	<u>\$ 33,334</u>

773	Total
Flex	Internal
Spending	Service
<u>          </u>	<u>      Funds</u>
\$ 8,905	\$ 960,284
-	(7,378)
-	(639,378)
8,905	313,528
8,905	313,528
49,466	467,513
\$ 58,371	\$ 781,041
\$ 8,905	\$ (74,455)
-	447,907
-	(34,688)
-	(22,679)
-	(2,557)
\$ 8,905	\$ 313,528

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS - EXHIBIT H-6 (Page 1 of 3)**  
August 31, 2014

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

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

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS - EXHIBIT H-6 (Page 2 of 3)*  
August 31, 2014

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

822 BHS Activity & Scholarship	827 Coastal Alternative Program	828 BHS Misc Scholarships	829 Ball High Booster All Sports	830 KIPP Coastal Village PTO	836 Lovenberg Maintenance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,308
50,635	1,089,026	2,675	4,212	29,134	908,648
<u>50,635</u>	<u>1,089,026</u>	<u>2,675</u>	<u>4,212</u>	<u>29,134</u>	<u>1,114,956</u>
-	-	-	-	226	-
-	-	-	-	226	-
50,635	1,089,026	2,675	4,212	28,908	1,114,956
<u>\$ 50,635</u>	<u>\$ 1,089,026</u>	<u>\$ 2,675</u>	<u>\$ 4,212</u>	<u>\$ 28,908</u>	<u>\$ 1,114,956</u>

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS - EXHIBIT H-6 (Page 3 of 3)*  
August 31, 2014

	<b>Total Trust Funds</b>
<b><u>Assets:</u></b>	
Cash and cash equivalents	\$ 206,308
Restricted assets	2,210,583
<b>Total Assets</b>	<b>2,416,891</b>
 <b><u>Liabilities:</u></b>	
Current liabilities:	
Accounts payable	226
<b>Total Liabilities</b>	<b>226</b>
 <b><u>Net Position:</u></b>	
Held in trust	2,416,665
<b>Total Net Position</b>	<b>\$ 2,416,665</b>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS - EXHIBIT H-7 (Page 1 of 3)*  
For the Year Ended August 31, 2014

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

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

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS - EXHIBIT H-7 (Page 2 of 3)*  
For the Year Ended August 31, 2014

	810 Homeless Grant Donations	816 Scott/Anders Scholarship	817 McCullough Scholarship	818 Rosenberg Scholarship
<b><u>Additions:</u></b>				
Donations	\$ -	\$ -	\$ -	\$ 353
Investment earnings	-	-	-	-
<b>Total Additions</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>353</u>
<b><u>Deductions:</u></b>				
Operating	-	-	-	-
<b>Total Deductions</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Changes in Net Position</b>	-	-	-	353
Beginning net position	<u>37</u>	<u>40,259</u>	<u>6,240</u>	<u>12,541</u>
<b>Ending Net Position</b>	<u>\$ 37</u>	<u>\$ 40,259</u>	<u>\$ 6,240</u>	<u>\$ 12,894</u>

<b>822 BHS Activity &amp; Scholarship</b>	<b>827 Coastal Alternative Program</b>	<b>828 BHS Misc Scholarships</b>	<b>829 Ball High Booster All Sports</b>	<b>830 KIPP Coastal Village PTO</b>	<b>836 Lovenberg Maintenance</b>
\$ -	\$ -	\$ -	\$ -	\$ 29,134	\$ -
-	-	-	-	-	151,912
-	-	-	-	29,134	151,912
-	250,000	25,100	-	226	20,497
-	250,000	25,100	-	226	20,497
-	(250,000)	(25,100)	-	28,908	131,415
50,635	1,339,026	27,775	4,212	-	983,541
<u>\$ 50,635</u>	<u>\$ 1,089,026</u>	<u>\$ 2,675</u>	<u>\$ 4,212</u>	<u>\$ 28,908</u>	<u>\$ 1,114,956</u>

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS - EXHIBIT H-7 (Page 3 of 3)*  
For the Year Ended August 31, 2014

	<u>Total Trust Funds</u>
<b><u>Additions:</u></b>	
Donations	\$ 29,487
Investment earnings	151,912
<b>Total Additions</b>	<u>181,399</u>
 <b><u>Deductions:</u></b>	
Operating	295,823
<b>Total Deductions</b>	<u>295,823</u>
<b>Changes in Net Position</b>	(114,424)
Beginning net position	<u>2,531,089</u>
<b>Ending Net Position</b>	<u><u>\$ 2,416,665</u></u>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1*  
For the Year Ended August 31, 2014

<u>Last Ten Years</u>	<u>Tax Rates</u>		<u>3</u> Net Assessed/ Appraised Value For School Tax Purposes <u>Various</u>
	<u>1</u>	<u>2</u>	
	<u>Maintenance</u>	<u>Debt Service</u>	
2005 and prior	Various	Various	
2006	\$ 1.5000	\$ 0.1850	\$ 3,541,661,150
2007	\$ 1.3700	\$ 0.1550	\$ 4,024,240,609
2008	\$ 1.0400	\$ 0.1350	\$ 4,431,935,339
2009	\$ 1.0400	\$ 0.1250	\$ 4,820,255,794
2010	\$ 1.0400	\$ 0.1250	\$ 4,075,355,225
2011	\$ 1.0400	\$ 0.1250	\$ 4,398,184,463
2012	\$ 1.0400	\$ 0.1250	\$ 4,660,353,305
2013	\$ 1.0400	\$ 0.1250	\$ 4,986,602,403
2014	\$ 1.0400	\$ 0.1250	\$ 5,267,605,064
<b>1000 Totals</b>			

10	20	31	32	40	50
Beginning Balance 8/31/13	Current Year's Total Levy	Maintenance Total Collected	Debt Service Total Collected	Entire Year's Adjustments	Ending Balance 8/31/14
\$ 732,735	\$ -	\$ 8,101	\$ 1,007	\$ (127,103)	\$ 596,524
188,036	-	7,899	1,106	(745)	178,286
223,316	-	16,586	2,046	(648)	204,036
209,755	-	18,038	2,041	(347)	189,329
266,511	-	39,984	4,806	(366)	221,355
238,335	-	51,536	6,194	1,434	182,039
339,642	-	97,820	11,757	5,233	235,298
506,265	-	185,496	22,295	5,904	304,378
1,306,318	-	850,690	98,322	163,319	520,625
-	61,367,599	53,726,607	6,459,224	-	1,181,768
<u>\$ 4,010,913</u>	<u>\$ 61,367,599</u>	<u>\$ 55,002,757</u>	<u>\$ 6,608,798</u>	<u>\$ 46,681</u>	<u>\$ 3,813,638</u>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION SCHEDULE (UNAUDITED)**  
**GENERAL FUND - EXHIBIT J-2**  
**For the Year Ended August 31, 2014**

1. Total general fund fund balance at year end (Exhibit C-1 object 3000 for the general fund only)	\$ 30,037,299
2. Total non-spendable fund balance at year end (Exhibit C-1 objects 341x-344x for the general fund only)	1,341,147
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)	20,000,000
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)	8,612,609
7. Estimate of two months' average cash disbursements during the fiscal year.	12,922,687
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)	<u>-</u>
12. General fund optimum fund balance and cash flow (2+3+4+5+6+7+8+9+10+11)	<u>42,876,443</u>
13. Excess or (deficit) unassigned general fund balance (1-12)	<u>\$ (12,839,144)</u>

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-3**  
For the Year Ended August 31, 2014

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
<b>Revenues</b>					
5700	Local and intermediate sources	\$ 1,569,800	\$ 1,619,800	\$ 1,635,609	\$ 15,809
5800	State program revenues	22,000	22,000	21,159	(841)
5900	Federal program revenues	3,750,000	3,792,000	3,838,396	46,396
5020	<b>Total Revenues</b>	<b>5,341,800</b>	<b>5,433,800</b>	<b>5,495,164</b>	<b>61,364</b>
<b>Expenditures</b>					
0035	Food service	5,102,850	4,766,683	4,758,220	8,463
0051	Plant maintenance and operations	238,950	263,950	190,685	73,265
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	-	31,000	-	31,000
6030	<b>Total Expenditures</b>	<b>5,341,800</b>	<b>5,061,633</b>	<b>4,948,905</b>	<b>112,728</b>
1200	<b>Net Change in Fund Balance</b>	<b>-</b>	<b>372,167</b>	<b>546,259</b>	<b>174,092</b>
0100	Beginning fund balance	2,456,603	2,456,603	2,456,603	-
3000	<b>Ending Fund Balance</b>	<b>\$ 2,456,603</b>	<b>\$ 2,828,770</b>	<b>\$ 3,002,862</b>	<b>\$ 174,092</b>

Notes for Supplementary Information:

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

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*BUDGETARY COMPARISON SCHEDULE*  
*DEBT SERVICE FUND - EXHIBIT J-4*  
For the Year Ended August 31, 2014

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<b>Revenues</b>				
5700	Local and intermediate sources	\$ 6,621,555	\$ 6,718,074	\$ 6,724,137	\$ 6,063
5020	Total Revenues	6,621,555	6,718,074	6,724,137	6,063
	<b>Expenditures</b>				
	<b>Debt service:</b>				
0071	Principal	5,956,947	3,670,000	3,670,000	-
0072	Interest	-	2,266,947	2,266,947	-
0073	Bond issuance costs and fees	-	15,731	15,731	-
6030	Total Expenditures	5,956,947	5,952,678	5,952,678	-
1200	Net Change in Fund Balance	664,608	765,396	771,459	6,063
0100	Beginning fund balance	4,081,901	4,081,901	4,081,901	-
3000	Ending Fund Balance	\$ 4,746,509	\$ 4,847,297	\$ 4,853,360	\$ 6,063

Notes for Supplementary Information:

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

***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**

January 20, 2015

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Galveston Independent School District (the "District"), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 20, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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Stephanie E. Harris, CPA  
Nathan Krupke, CPA

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas



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

January 20, 2015

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

**Report on Compliance for Each Major Federal Program**

We have audited the Galveston Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Partners**

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## Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
Certified Public Accountants  
Houston, Texas

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS*  
For the Year Ended August 31, 2014

**A. SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

No prior year findings.

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
For the Year Ended August 31, 2014

**A. SUMMARY OF AUDIT RESULTS**

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

CFDA Numbers	Name of Federal Program
84.010	ESEA Title I, Part A
10.553 & 10.555	Child Nutrition Cluster
84.388	ARRA Texas Title I Priority Schools Grant
84.165	Magnet Schools Assistance
97.036	Disaster Grants - Public Assistance

8. The threshold for distinguishing Type A and B programs was \$581,205.
9. The District did qualify as a low-risk auditee.

**B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT**

*None Noted*

**C. FINDINGS – FEDERAL AWARDS**

*None Noted*

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1 (Page 1 of 2)*  
For the Year Ended August 31, 2014

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Passed Through Texas Department of Public Safety Division of Emergency Management</i>			
FEMA - Hurricane Ike	97.036	084-902	\$ 4,045,019
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>4,045,019</u>
 <b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through State Department of Education</i>			
ESEA Title I, Part A	84.010	14610104084902100	2,836,587
IDEA B, Formula Grant	84.027	146600010849026000	1,207,492
IDEA B, - Preschool	84.173	146610010849026000	58,277
Title III, Part A	84.365	14671001084902	113,904
21st Century Community Grant	84.287	146950167110018	1,447,661
ARRA Texas Title I Priority Schools Grant	84.388	S388A090044	154,657
Teacher Incentive Fund	84.374	S374A100015	1,693,812
Career and Technical, Basic Grant	84.048	14420006084902	101,944
Title II, Part A, Teacher and Principal	84.367	14694501084902	541,273
Public Charter School Start Up	84.282	U282A100016	193,586
Magnet Schools Assistance	84.165	U165A130047/ U165A100053	2,921,322
Youthbuild Grant	17.274	YC-25406-14-60-A-48	3,482
<i>Passed Through Education Service Center, Region X</i>			
Education for Homeless Children	84.196	14-056	158,322
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>11,432,319</u>
 <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through Texas Health and Human Services Commission</i>			
Medicaid Administrative Claiming Program	93.778	084-902	20,819
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>20,819</u>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1 (Page 2 of 2)*  
For the Year Ended August 31, 2014

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through State Department of Education</i>			
School Breakfast Program	10.553	71401401	972,395
National School Lunch	10.555	71301401	2,565,790
Child and Adult Care Food Program	10.558	084-902	40,312
USDA Commodities	10.565	084-902	259,899
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>3,838,396</b>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<i>Passed Through U.S. Army</i>			
Junior ROTC	12.000	084-902	36,951
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<b>36,951</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 19,373,504</b>

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

The accompanying notes are an integral part of this schedule.

Federal revenue per SEFA	\$ 19,373,504
SHARS	730,103
Universal E-Rate	908,832
C-2 Federal revenue	\$ 21,012,439

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*  
For the Year Ended August 31, 2014

**NOTE 1: BASIS OF ACCOUNTING**

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

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REQUIRED RESPONSES TO SELECTED*  
*SCHOOL FIRST INDICATORS - EXHIBIT L-1*  
For the Year Ended August 31, 2014

<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 unmodified 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?	\$ 757,020

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