

*ANNUAL FINANCIAL REPORT*

of the

**GALVESTON  
INDEPENDENT SCHOOL DISTRICT**

For the Year Ended  
August 31, 2019

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
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August 31, 2019

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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, 2019, at a meeting of the Board of Trustees of such school district on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

(attach list as necessary)

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## ***FINANCIAL SECTION***

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## ***INDEPENDENT AUDITORS' REPORT***

To the Board of Trustees of  
Galveston Independent School District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Galveston Independent School District (the "District"), as of and for the year ended August 31, 2019, 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.

## 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*BELT HARRIS PECHACEK, LLP*

Belt Harris Pechacek, LLP  
*Certified Public Accountants*  
Houston, Texas  
February 14, 2020



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





# **GALVESTON**

## **INDEPENDENT SCHOOL DISTRICT**

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

**For the Year Ended August 31, 2019**

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of Galveston Independent School District (the "District") for the year ending August 31, 2019. 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, 2019 was \$3,712,341.
- For the fiscal year ended August 31, 2019, the District's general fund reported a total fund balance of \$30,136,999, of which \$1,194,952 is nonspendable, and \$28,942,047 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 funds) reported combined ending fund balances of \$53,669,838.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements provide information about the financial relationships in which the District acts in a manner similar to that of a private business. These statements include the District's internal service funds.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the fiduciary resources belong. These statements include a trust fund 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, 2019**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial 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 (the "Board") 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, 2019**

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 workers' compensation insurance fund, the care here fund, and the flex spending fund. The District accumulates resources in the insurance funds from all District funds whose expenditures include payments to employees. Normal expenses in the insurance funds are expenses related to claims and administrative expenses. The concession fund is financed through user fees paid by patrons of the District with any shortfall paid from District funds.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds and various trust funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2019

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

The District's combined net position was \$3,712,341 at August 31, 2019. *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, 2019. *Table 1* indicates the District's net position decreased \$5,047,684 in total from the prior year. The details of this decrease can be seen in *Table 2*. The District experienced an increase in total revenue of \$31,268,731 mostly due to an increase in operating grants and contributions. This increase was largely due to prior year negative revenues in operating grants and contributions relating to non-employer contributing entity (NECE) on-behalf accruals for the other postemployment benefit (OPEB) plan. Expenses increased by \$35,746,309 in comparison to 2018. The increase can primarily be attributed to an increase in repairs and maintenance for District-wide renovations and prior year negative expenses related to NECE on-behalf for the OPEB plan and the current year increase in the net pension and OPEB liability.

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

<b>Description</b>	<b>Governmental Activities</b>		<b>Total Change</b>
	<b>2019</b>	<b>2018</b>	<b>2019-2018</b>
Current assets	\$ 70,108,833	\$ 70,448,031	\$ (339,198)
Capital assets	74,036,432	74,226,520	(190,088)
<b>Total Assets</b>	<b>144,145,265</b>	<b>144,674,551</b>	<b>(529,286)</b>
Deferred charge on refunding	1,393,808	1,674,224	(280,416)
Deferred outflows - pensions	13,143,887	5,590,695	7,553,192
Deferred outflows - OPEB	2,816,384	416,596	2,399,788
<b>Total Deferred Outflows of Resources</b>	<b>17,354,079</b>	<b>7,681,515</b>	<b>9,672,564</b>
Current liabilities	12,037,514	4,438,701	7,598,813
Long-term liabilities	131,078,630	123,109,874	7,968,756
<b>Total Liabilities</b>	<b>143,116,144</b>	<b>127,548,575</b>	<b>15,567,569</b>
Deferred inflows - pensions	2,534,956	3,446,343	(911,387)
Deferred inflows - OPEB	12,135,903	12,601,123	(465,220)
<b>Total Deferred Inflows of Resources</b>	<b>14,670,859</b>	<b>16,047,466</b>	<b>(1,376,607)</b>
<b>Net Position:</b>			
Net investment			
in capital assets	18,893,804	28,558,125	(9,664,321)
Restricted	7,754,364	8,011,677	(257,313)
Unrestricted	(22,935,827)	(27,809,777)	4,873,950
<b>Total Net Position</b>	<b>\$ 3,712,341</b>	<b>\$ 8,760,025</b>	<b>\$ (5,047,684)</b>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2019

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

	Governmental Activities		Total Change
	2019	2018	2019-2018
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 2,083,079	\$ 3,188,007	\$ (1,104,928)
Operating grants and contributions	32,851,996	6,144,897	26,707,099
General revenues:			
Property taxes	85,370,223	82,807,904	2,562,319
Grants and contributions not restricted for specific programs	5,081,727	2,861,004	2,220,723
Investment earnings	1,611,702	494,787	1,116,915
Other revenue	414,291	685,880	(271,589)
Gain on disposal of assets	65,966	27,774	38,192
<b>Total Revenue</b>	<b>127,478,984</b>	<b>96,210,253</b>	<b>31,268,731</b>
<b>Expenses</b>			
Instruction	44,928,123	35,547,653	9,380,470
Instructional resources and media services	474,943	438,807	36,136
Curriculum/instructional staff development	4,083,632	1,501,696	2,581,936
Instructional leadership	3,046,981	903,242	2,143,739
School leadership	4,192,043	2,558,748	1,633,295
Guidance, counseling, and evaluation services	2,789,979	1,127,192	1,662,787
Social work services	361,308	209,685	151,623
Health services	886,214	486,172	400,042
Student (pupil) transportation	3,454,254	2,821,373	632,881
Food services	6,239,100	4,153,991	2,085,109
Extracurricular activities	2,346,964	1,569,693	777,271
General administration	2,488,287	2,028,840	459,447
Plant maintenance and operations	8,648,421	6,454,490	2,193,931
Security and monitoring services	994,864	644,375	350,489
Data processing services	3,083,549	1,709,328	1,374,221
Community services	868,584	277,217	591,367
Debt service - interest	2,783,951	1,897,776	886,175
Facilities acquisition and construction	13,741,287	5,736,107	8,005,180
Contracted instructional services between public schools	26,139,990	24,581,731	1,558,259
Payments to shared services agreements	92,583	1,486,377	(1,393,794)
Other intergovernmental charges	881,611	645,866	235,745
<b>Total Expenses</b>	<b>132,526,668</b>	<b>96,780,359</b>	<b>35,746,309</b>
<b>Change in Net Position</b>	<b>(5,047,684)</b>	<b>(570,106)</b>	<b>(4,477,578)</b>
Beginning net position	8,760,025	9,330,131	(570,106)
<b>Ending Net Position</b>	<b>\$ 3,712,341</b>	<b>\$ 8,760,025</b>	<b>\$ (5,047,684)</b>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended August 31, 2019**

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

At the close of the fiscal year ending August 31, 2019, the District's governmental funds reported a combined fund balance of \$53,669,838. This compares to a combined fund balance of \$61,932,609 at August 31, 2018. The fund balance in the general fund increased by \$6,306,985. The increase can be attributed largely to an increase in state program revenues due to the District receiving Hurricane Harvey remediation funding.

The Galveston permanent endowment fund had an increase in fund balance of \$280,768 due to an increase in grants from the Moody Foundation.

The debt service fund had a decrease in fund balance of \$382,963 due to debt service payments exceeding property tax collections.

The capital projects fund reported a decrease in fund balance of \$14,431,193 due to an increase in repairs and maintenance for District-wide renovations.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with State law and generally accepted accounting principles, 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, 2019, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The District budgeted for a reduction in fund balance of \$12,239,968, and reported a positive budget variance of \$18,670,520. The general fund's actual revenues were more than budgeted revenues by \$6,688,735. Total general fund budgeted expenditures exceeded actual expenditures by \$1,541,692 with the largest positive variances in instructional leadership and plant maintenance and operations.

**CAPITAL ASSETS**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2019, 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, 2019, the District had a total of \$186,562,348 invested in capital assets such as land, buildings, and District equipment. This total includes \$5,950,064 invested during the fiscal year ended August 31, 2019.

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

**LONG-TERM DEBT**

At year end, the District had \$65,334,998 in general obligation bonds outstanding versus \$70,084,998 last year. The District paid \$4,750,000 in principal payments during the year.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***  
**For the Year Ended August 31, 2019**

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

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

The District's budgeted expenditures for the 2019-2020 school year total \$83,394,845, and the District's Board adopted a Maintenance and Operations tax rate of \$0.99 and an Interest and Sinking rate of \$0.095 for a combined rate of \$1.085 per \$100 of valuation.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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





## ***BASIC FINANCIAL STATEMENTS***

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF NET POSITION - EXHIBIT A-1*  
August 31, 2019

		1
Data Control Codes		Governmental Activities
	<b><u>Assets</u></b>	
1110	Cash and cash equivalents	\$ 53,189,024
1120	Investments	2,051,567
1225	Property taxes receivables (net)	4,275,271
1240	Due from other governments	9,108,097
1290	Other receivables (net)	125,263
1300	Inventories	129,659
1410	Prepaid items	1,229,952
		<u>70,108,833</u>
	Capital assets:	
1510	Land	4,366,348
1520	Buildings and improvements, net	63,771,089
1530	Furniture and equipment, net	3,499,762
1530	Vehicles, net	1,900,159
1580	Construction in progress	499,074
		<u>74,036,432</u>
1000	<b>Total Assets</b>	<u>144,145,265</u>
	<b><u>Deferred Outflows of Resources</u></b>	
1700	Deferred charge on refunding	1,393,808
1705	Deferred outflows - pensions	13,143,887
1706	Deferred outflows - OPEB	2,816,384
1700	<b>Total Deferred Outflows of Resources</b>	<u>17,354,079</u>
	<b><u>Liabilities</u></b>	
2110	Accounts payable	3,290,328
2140	Interest payable	367,800
2150	Payroll deductions payable	504,770
2165	Accrued liabilities	3,121,774
2180	Due to other governments	129,729
2300	Unearned revenue	4,623,113
		<u>12,037,514</u>
	Noncurrent liabilities:	
2501	Long-term liabilities due within one year	4,173,691
2502	Long-term liabilities due in more than one year	68,990,412
2540	Net pension liability	24,855,801
2545	Net OPEB liability	33,058,726
		<u>131,078,630</u>
2000	<b>Total Liabilities</b>	<u>143,116,144</u>
	<b><u>Deferred Inflows of Resources</u></b>	
2605	Deferred inflows - pensions	2,534,956
2606	Deferred inflows - OPEB	12,135,903
2600	<b>Total Deferred Inflows of Resources</b>	<u>14,670,859</u>
	<b><u>Net Position</u></b>	
3200	Net investment in capital assets	18,893,804
	Restricted for:	
3820	Federal and state programs	1,995,853
3850	Debt service	5,003,767
3870	Campus activities	199,597
3890	Other purposes	555,147
3900	Unrestricted	(22,935,827)
3000	<b>Total Net Position</b>	<u>\$ 3,712,341</u>

See Notes to Financial Statements.

# GALVESTON INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES - EXHIBIT B-1

For the Year Ended August 31, 2019

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	\$ 44,928,123	\$ 879,905	\$ 12,903,004	\$ (31,145,214)
12	Instructional resources				
12	and media services	474,943	7,458	45,373	(422,112)
13	Curriculum/instructional				
13	staff development	4,083,632	-	3,284,890	(798,742)
21	Instructional leadership	3,046,981	-	1,679,049	(1,367,932)
23	School leadership	4,192,043	-	464,854	(3,727,189)
31	Guidance, counseling, and				
31	evaluation services	2,789,979	-	991,995	(1,797,984)
32	Social work services	361,308	-	115,361	(245,947)
33	Health services	886,214	-	393,480	(492,734)
34	Student (pupil) transportation	3,454,254	132,707	272,561	(3,048,986)
35	Food services	6,239,100	704,630	5,443,144	(91,326)
36	Extracurricular activities	2,346,964	358,259	190,003	(1,798,702)
41	General administration	2,488,287	120	226,150	(2,262,017)
51	Plant maintenance and operations	8,648,421	-	6,344,375	(2,304,046)
52	Security and monitoring services	994,864	-	81,157	(913,707)
53	Data processing services	3,083,549	-	114,996	(2,968,553)
61	Community services	868,584	-	202,583	(666,001)
72	Debt service - interest	2,783,951	-	67,581	(2,716,370)
81	Facilities acquisition and construction	13,741,287	-	31,440	(13,709,847)
91	Contracted instructional services				
91	between public schools	26,139,990	-	-	(26,139,990)
93	Payments to shared services agreements	92,583	-	-	(92,583)
99	Other intergovernmental charges	881,611	-	-	(881,611)
	<b>Total Governmental Activities</b>	<u>\$ 132,526,668</u>	<u>\$ 2,083,079</u>	<u>\$ 32,851,996</u>	<u>(97,591,593)</u>
TP	<b>Total Primary Government</b>	<u>\$ 132,526,668</u>	<u>\$ 2,083,079</u>	<u>\$ 32,851,996</u>	<u>(97,591,593)</u>
	<b>General Revenues</b>				
MT	Property taxes, levied for general purposes				78,392,914
DT	Property taxes, levied for debt service				6,977,309
SF	State aid - formula grants				5,081,727
IE	Investment earnings				1,611,702
MI	Miscellaneous local and intermediate revenue				414,291
	Gain on disposal of assets				65,966
TR				<b>Total General Revenues</b>	<u>92,543,909</u>
CN				<b>Change in Net Position</b>	<u>(5,047,684)</u>
NB	Beginning net position				<u>8,760,025</u>
NE				<b>Ending Net Position</b>	<u>\$ 3,712,341</u>

See Notes to Financial Statements.

# GALVESTON INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET

### GOVERNMENTAL FUNDS - EXHIBIT C-1

August 31, 2019

Data Control Codes		10	40	50	60
		General	Galveston Permanent Endowment	Debt Service	Capital Projects
<b><u>Assets</u></b>					
1110	Cash and cash equivalents	\$ 21,418,802	\$ 3,933,871	\$ 4,798,370	\$ 18,007,017
1120	Investments	-	-	206,076	1,841,472
1220	Taxes receivables	4,321,337	-	424,747	-
1230	Allowance for uncollectible taxes	(422,194)	-	(48,619)	-
1240	Due from other governments	5,273,449	-	-	-
1260	Due from other funds	5,689,008	-	-	-
1290	Other receivables	125,263	-	-	-
1300	Inventories	-	-	-	-
1410	Prepaid items	1,194,952	-	-	-
1000	<b>Total Assets</b>	<b>\$ 37,600,617</b>	<b>\$ 3,933,871</b>	<b>\$ 5,380,574</b>	<b>\$ 19,848,489</b>
<b><u>Liabilities</u></b>					
2110	Accounts payable	\$ 484,091	\$ 134,409	\$ -	\$ 1,616,123
2150	Payroll deductions payable	459,400	1,393	-	-
2160	Accrued wages payable	2,619,552	-	-	-
2170	Due to other funds	-	70,319	680	2,252,254
2180	Due to other governments	1,431	-	-	-
2200	Accrued expenditures	-	-	-	331,296
2300	Unearned revenue	-	3,435,091	-	-
2000	<b>Total Liabilities</b>	<b>\$ 3,564,474</b>	<b>\$ 3,641,212</b>	<b>\$ 680</b>	<b>\$ 4,199,673</b>
<b><u>Deferred Inflows of Resources</u></b>					
2600	Unavailable revenue - property taxes	3,899,144	-	376,127	-
<b><u>Fund Balances</u></b>					
Nonspendable:					
3410	Inventories	-	-	-	-
3430	Prepaid items	1,194,952	-	-	-
Restricted:					
3450	Federal/state funds grant restrictions	-	-	-	-
3470	Capital acquisitions and contracts	-	-	-	15,648,816
3480	Debt service	-	-	5,003,767	-
3490	Other restrictions	-	292,659	-	-
3600	Unassigned	28,942,047	-	-	-
3000	<b>Total Fund Balances</b>	<b>\$ 30,136,999</b>	<b>\$ 292,659</b>	<b>\$ 5,003,767</b>	<b>\$ 15,648,816</b>
4000	<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 37,600,617</b>	<b>\$ 3,933,871</b>	<b>\$ 5,380,574</b>	<b>\$ 19,848,489</b>

See Notes to Financial Statements.

<b>Nonmajor Governmental Funds</b>	<b>98 Total Governmental Funds</b>
\$ 4,507,318	\$ 52,665,378
4,019	2,051,567
-	4,746,084
-	(470,813)
3,834,648	9,108,097
-	5,689,008
-	125,263
129,659	129,659
35,000	1,229,952
<u>\$ 8,510,644</u>	<u>\$ 75,274,195</u>
\$ 1,026,069	\$ 3,260,692
43,977	504,770
170,926	2,790,478
3,365,755	5,689,008
128,298	129,729
-	331,296
1,188,022	4,623,113
<u>5,923,047</u>	<u>17,329,086</u>
<u>-</u>	<u>4,275,271</u>
129,659	129,659
-	1,194,952
1,995,853	1,995,853
-	15,648,816
-	5,003,767
462,085	754,744
-	28,942,047
<u>2,587,597</u>	<u>53,669,838</u>
<u>\$ 8,510,644</u>	<u>\$ 75,274,195</u>

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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, 2019**

Total fund balances for governmental funds \$ 53,669,838

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

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

Capital assets - nondepreciable	4,865,422	
Capital assets - depreciable	69,171,010	
	74,036,432	74,036,432

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

4,275,271

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

494,010

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

Accrued interest	(367,800)	
Deferred charge on refunding	1,393,808	
Deferred outflows - pensions	13,143,887	
Deferred inflows - pensions	(2,534,956)	
Deferred outflows - OPEB	2,816,384	
Deferred inflows - OPEB	(12,135,903)	
Net pension liability	(24,855,801)	
Net OPEB liability	(33,058,726)	
Noncurrent liabilities due in one year	(4,173,691)	
Noncurrent liabilities due in more than one year	(68,990,412)	
	(128,763,210)	(128,763,210)

<b>Net Position of Governmental Activities</b>		<b>\$ 3,712,341</b>
		3,712,341

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, 2019

Data Control Codes		10	40	50	60
		General	Galveston Permanent Endowment	Debt Service	Capital Projects
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ 79,342,686	\$ 3,358,692	\$ 7,118,875	\$ 605,936
5800	State program revenues	13,419,086	60,730	67,581	-
5900	Federal program revenues	2,917,756	-	-	-
5020	<b>Total Revenues</b>	<b>95,679,528</b>	<b>3,419,422</b>	<b>7,186,456</b>	<b>605,936</b>
<b>Expenditures</b>					
0011	Instruction	33,839,410	2,162,163	-	-
0012	Instructional resources and media services	453,494	-	-	-
0013	Curriculum and instructional staff development	740,273	147,944	-	-
0021	Instructional leadership	1,462,672	567,558	-	-
0023	School leadership	4,042,025	-	-	-
0031	Guidance, counseling, and evaluation services	1,895,247	-	-	-
0032	Social work services	262,199	-	-	-
0033	Health services	503,666	-	-	-
0034	Student (pupil) transportation	3,039,482	-	-	2,530,156
0035	Food services	-	-	-	-
0036	Extracurricular activities	1,984,153	-	-	-
0041	General administration	2,329,901	5,161	-	-
0051	Plant maintenance and operations	8,151,938	247,988	-	32,172
0052	Security and monitoring services	996,788	-	-	-
0053	Data processing services	1,532,604	-	-	1,529,792
0061	Community services	695,190	7,840	-	-
<b>Debt service:</b>					
0071	Principal	-	-	4,750,000	-
0072	Interest	-	-	2,819,419	-
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	329,317	-	-	10,945,009
<b>Intergovernmental:</b>					
0091	Contracted instructional services				
0091	between public schools	26,139,990	-	-	-
0093	Payments to shared services arrangements	92,583	-	-	-
0099	Other governmental charges	881,611	-	-	-
6030	<b>Total Expenditures</b>	<b>89,372,543</b>	<b>3,138,654</b>	<b>7,569,419</b>	<b>15,037,129</b>
1100	<b>Excess (Deficiency) of Revenues</b>				
1100	<b>Over (Under) Expenditures</b>	<b>6,306,985</b>	<b>280,768</b>	<b>(382,963)</b>	<b>(14,431,193)</b>
<b>Other Financing Sources (Uses)</b>					
7912	Sale of real and personal property	123,567	-	-	-
7080	<b>Total Other Financing Sources</b>	<b>123,567</b>	<b>-</b>	<b>-</b>	<b>-</b>
1200	<b>Net Change in Fund Balances</b>	<b>6,430,552</b>	<b>280,768</b>	<b>(382,963)</b>	<b>(14,431,193)</b>
0100	Beginning fund balances	23,706,447	11,891	5,386,730	30,080,009
3000	<b>Ending Fund Balances</b>	<b>\$ 30,136,999</b>	<b>\$ 292,659</b>	<b>\$ 5,003,767</b>	<b>\$ 15,648,816</b>

See Notes to Financial Statements.



<b>Nonmajor Governmental Funds</b>	<b>98 Total Governmental Funds</b>
\$ 1,910,680	\$ 92,336,869
1,206,073	14,753,470
14,841,213	17,758,969
<u>17,957,966</u>	<u>124,849,308</u>
6,838,372	42,839,945
7,584	461,078
2,863,373	3,751,590
785,697	2,815,927
8,735	4,050,760
647,469	2,542,716
69,176	331,375
287,657	791,323
-	5,569,638
6,010,679	6,010,679
304,182	2,288,335
83,180	2,418,242
34,180	8,466,278
859	997,647
-	3,062,396
126,693	829,723
-	4,750,000
-	2,819,419
50,065	11,324,391
-	26,139,990
-	92,583
-	881,611
<u>18,117,901</u>	<u>133,235,646</u>
<u>(159,935)</u>	<u>(8,386,338)</u>
-	123,567
-	123,567
(159,935)	(8,262,771)
2,747,532	61,932,609
<u>\$ 2,587,597</u>	<u>\$ 53,669,838</u>

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES - EXHIBIT C-3**  
**For the Year Ended August 31, 2019**

Net change in fund balances - total governmental funds \$ (8,262,771)

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	(6,082,551)
Capital outlay, net of disposals	5,892,463

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	501,118
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The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal repayments	4,750,000
Accrued interest	(133,920)
Amortization of loss on bond refunding	(280,416)
Amortization of premiums, net	487,376
Accreted interest	(37,572)

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

Change in compensated absences	(6,236)
Change in net pension liability	(10,228,069)
Change in net OPEB liability	(2,934,255)
Change in deferred outflows - pensions	7,553,192
Change in deferred inflows - pensions	911,387
Change in deferred outflows - OPEB	2,399,788
Change in deferred inflows - OPEB	465,220

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.	(42,438)
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ (5,047,684)</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, 2019

<b>Data Control Codes</b>			<b>Internal Service</b>
	<b><u>Assets</u></b>		
1110	Cash and cash equivalents		\$ 523,646
1000		<b>Total Assets</b>	<u>523,646</u>
	<b><u>Liabilities</u></b>		
2110	Accounts payable		29,636
2000		<b>Total Liabilities</b>	<u>29,636</u>
	<b><u>Net Position</u></b>		
3900	Unrestricted net position		494,010
4000		<b>Total Net Position</b>	<u>\$ 494,010</u>

See Notes to Financial Statements.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION*  
*PROPRIETARY FUNDS - EXHIBIT D-2*  
For the Year Ended August 31, 2019

<u>Data Control Dates</u>			<u>Internal Service</u>
	<b><u>Operating Revenues</u></b>		
5700	Local and intermediate sources		\$ 614,396
5020		<b>Total Operating Revenues</b>	<u>614,396</u>
	<b><u>Operating Expenses</u></b>		
6200	Professional and contracted services		656,834
6030		<b>Total Operating Expenses</b>	<u>656,834</u>
		<b>Operating (Loss)</b>	<u>(42,438)</u>
1200		<b>Change in Net Position</b>	(42,438)
0100	Beginning net position		<u>536,448</u>
3000		<b>Ending Net Position</b>	<u>\$ 494,010</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, 2019

	<u>Internal Service</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash received from customers	\$ 614,396
Cash payments to suppliers for goods and services	<u>(651,487)</u>
<b>Net Cash (Used) by Operating Activities</b>	<u>(37,091)</u>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	(37,091)
Beginning cash and cash equivalents	<u>560,737</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 523,646</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating (loss)	\$ (42,438)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
<b>Increase (Decrease) in:</b>	
Increase (decrease) in accounts payable	5,347
<b>Net Cash (Used) by Operating Activities</b>	<u><u>\$ (37,091)</u></u>

See Notes to Financial Statements.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS - EXHIBIT E-1*  
August 31, 2019

	<u>Trust</u>	<u>Student Activity Account</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 2,014	\$ 192,704
Restricted assets	929,805	-
<b>Total Assets</b>	<u>\$ 931,819</u>	<u>\$ 192,704</u>
<b><u>Liabilities</u></b>		
Current liabilities:		
Accounts payable	\$ 88,663	\$ 669
Due to other governments	-	46,815
Due to student groups	-	145,220
<b>Total Liabilities</b>	<u>88,663</u>	<u>\$ 192,704</u>
<b><u>Net Position</u></b>		
Held in trust	843,156	
<b>Total Liabilities and Net Position</b>	<u>\$ 931,819</u>	

See Notes to Financial Statements.



**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS - EXHIBIT E-2*  
For the Year Ended August 31, 2019

	<u>Trust</u>
<b><u>Additions</u></b>	
Investment income	\$ 10,880
<b>Total Additions</b>	<u>10,880</u>
<b><u>Deductions</u></b>	
Operating expenses	91,424
<b>Total Deductions</b>	<u>91,424</u>
<b>Changes in Net Position</b>	(80,544)
Beginning net position	<u>923,700</u>
<b>Ending Net Position</b>	<u><u>\$ 843,156</u></u>

See Notes to Financial Statements.

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended August 31, 2019

**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 (the “State”). 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 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, these 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.

**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 and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

The fund financial statements provide information about the District’s funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
***NOTES TO FINANCIAL STATEMENTS (Continued)***  
**For the Year Ended August 31, 2019**

remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following governmental funds:

**General Fund**

The general fund is the District's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund. The general fund is always considered a major fund for reporting purposes.

**Debt Service Fund**

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

**Capital Projects Funds**

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

**Special Revenue Funds**

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

**Proprietary Funds**

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's internal service funds activity are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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For the Year Ended August 31, 2019

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

**Internal Service Funds**

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

**Fiduciary Funds**

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

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
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*current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

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

**1. Cash and Cash Equivalents**

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

**2. Investments**

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

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

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

**3. Inventories and Prepaid Items**

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

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

**4. Restricted Assets**

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

**5. Capital Assets**

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

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

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

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	10 to 50 years
Furniture and equipment	5 to 20 years
Vehicles	5 to 20 years

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**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. 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.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- 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.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**7. Compensated Employee Absences**

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

**8. Long-Term Obligations**

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

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



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For the Year Ended August 31, 2019

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

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

**9. Net Position Flow Assumption**

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

**10. Fund Balance Flow Assumptions**

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

**11. Fund Balance Policies**

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

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

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

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
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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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**13. Data Control Codes**

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

**14. Pensions**

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

**15. Other Postemployment Benefits**

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

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**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

**2. Property Taxes**

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

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

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

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

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

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

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the national school lunch and breakfast program special revenue fund, and the debt service fund. The District budgets the capital projects funds 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 was a material changes between the original budget and the final amended budget for special items in the amount of \$10,340,093.

# GALVESTON

## INDEPENDENT SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2019

#### A. Expenditures in Excess of Appropriations

For the year ended August 31, 2019, expenditures exceeded appropriations at the legal level of control in functions 11, 13, 23, 31, 33, 34, 36, 41, 52, 93 and 99 in the general fund and function 35 in the national school breakfast and lunch program fund.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

As of August 31, 2019, the District had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>	<u>Weighted Average Maturity (Years)</u>
Texas CLASS Investment Pool	N/A	\$ 47,096,420	0.14
Texas TERM Investment Pool	N/A	2,383,609	0.00
Money Market Mutual Funds	N/A	446,693	0.00
		<u>\$ 49,926,722</u>	
Portfolio weighted average maturity			0.13

*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, 2019, 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.

#### Texas CLASS

The Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an Amended and Restated Trust Agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as Program Administrator and Wells Fargo Bank Texas, NA as Custodian. CLASS is not registered with the Securities Exchange Commission and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for Texas CLASS may be obtained from CLASS' website at [www.texasclass.com](http://www.texasclass.com).

**TexasTERM**

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

**Fair Value Measurements**

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

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

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

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

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

As of August 31, 2019, the District had the following recurring fair value measurements:

Description	August 31, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Money market mutual funds	\$ 446,693	\$ 446,693	\$ -	\$ -

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

**B. Capital Assets**

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

	Beginning Balances	Increases	(Decreases)	Ending Balances
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,366,348	\$ -	\$ -	\$ 4,366,348
Construction in progress	321,167	499,074	(321,167)	499,074
<b>Total Capital Assets Not Being Depreciated</b>	<u>4,687,515</u>	<u>499,074</u>	<u>(321,167)</u>	<u>4,865,422</u>
Other capital assets:				
Buildings and improvements	160,772,270	2,540,334	-	163,312,604
Furniture and equipment	10,251,591	2,510,978	(476,673)	12,285,896
Vehicles	5,377,581	720,845	-	6,098,426
<b>Total Other Capital Assets</b>	<u>176,401,442</u>	<u>5,772,157</u>	<u>(476,673)</u>	<u>181,696,926</u>
Less accumulated depreciation for:				
Buildings and improvements	(94,296,102)	(5,245,413)	-	(99,541,515)
Furniture and equipment	(8,770,873)	(434,333)	419,072	(8,786,134)
Vehicles	(3,795,462)	(402,805)	-	(4,198,267)
<b>Total Accumulated Depreciation</b>	<u>(106,862,437)</u>	<u>(6,082,551)</u>	<u>419,072</u>	<u>(112,525,916)</u>
Other capital assets, net	<u>69,539,005</u>	<u>(310,394)</u>	<u>(57,601)</u>	<u>69,171,010</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 74,226,520</u>	<u>\$ 188,680</u>	<u>\$ (378,768)</u>	<u>74,036,432</u>
			Less associated debt	(72,185,252)
			Plus unspent bond proceeds	15,648,816
			Plus deferred charge on refunding	1,393,808
			<b>Net Investment in Capital Assets</b>	<u>\$ 18,893,804</u>

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

Depreciation was charged to governmental functions as follows:

	<b>Governmental Activities</b>
11 Instruction	\$ 60,607
34 Student transportation	383,392
35 Food services	210,868
36 Extracurricular activities	7,916
41 General administration	4,799
51 Plant maintenance and operations	69,149
52 Security and monitoring services	1,922
53 Data processing services	19,756
81 Facilities acquisition and construction	5,324,142
<b>Total Depreciation Expense</b>	<b>\$ 6,082,551</b>

**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.

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Bonds payable:					
Series 2011 2.00 - 3.00%	\$ 7,969,998	\$ -	\$ (105,000)	\$ 7,864,998	\$ 594,998
Series 2012 2.00 - 4.00%	1,820,000	-	-	1,820,000	1,820,000
Series 2013 2.00 - 5.00%	32,710,000	-	(2,995,000)	29,715,000	-
Series 2018 3.00 - 5.00%	27,585,000	-	(1,650,000)	25,935,000	1,720,000
	<u>70,084,998</u>	<u>-</u>	<u>(4,750,000)</u>	<u>65,334,998</u>	<u>* 4,134,998</u>
Other liabilities:					
Compensated absences	36,756	39,316	(33,080)	42,992	38,693
Unamortized premium	7,337,630	-	(487,376)	6,850,254	*
Accreted interest	898,287	37,572	-	935,859	-
Net pension liability	14,627,732	10,228,069	-	24,855,801	-
Net OPEB liability	30,124,471	2,934,255	-	33,058,726	-
<b>Total Governmental Activities</b>	<b>\$ 123,109,874</b>	<b>\$ 13,239,212</b>	<b>\$ (5,270,456)</b>	<b>\$ 131,078,630</b>	<b>\$ 4,173,691</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 126,904,939</b>	
<b>*Debt associated with capital assets</b>				<b>\$ 72,185,252</b>	

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.

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

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

<b>Year Ended</b>			<b>Total</b>
<b>Aug 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Requirements</b>
2020	\$ 4,134,998	\$ 3,641,401	\$ 7,776,399
2021	5,370,000	2,522,200	7,892,200
2022	5,560,000	2,321,650	7,881,650
2023	5,620,000	2,093,300	7,713,300
2024	5,895,000	1,819,675	7,714,675
2025-2029	33,015,000	4,777,900	37,792,900
2030	5,740,000	141,000	5,881,000
<b>Total</b>	<b>\$ 65,334,998</b>	<b>\$ 17,317,126</b>	<b>\$ 82,652,124</b>

**D. Commitments Under Noncapitalized Leases**

During the year, the District expended a total of \$83,206 for operating (noncapitalized) leases and, in accordance with standard nonappropriation clauses in the various lease agreements, the District has no future obligation in relation to these leases.

**E. Interfund Transactions**

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

	<b>Due From Other Funds</b>
General fund	
Galveston permanent endowment	\$ 70,319
Debt service fund	680
Capital projects fund	2,252,254
Nonmajor governmental funds	3,365,755
<b>Total General Fund</b>	<b>\$ 5,689,008</b>

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

**F. Restatement of Net Position/Fund Balance**

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

	<b>Governmental Activities</b>	<b>General Fund</b>
Beginning net position/fund balance - as reported	\$ 9,023,232	\$ 23,969,654
Restatement - payroll liabilities	(263,207)	(263,207)
Beginning net position/fund balance - restated	<u>\$ 8,760,025</u>	<u>\$ 23,706,447</u>



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**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

**IV. OTHER INFORMATION**

**A. Risk Management**

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

**B. Contingent Liabilities**

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

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

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

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

**C. Defined Benefit Pension Plan**

**Teacher Retirement System**

**Plan Description**

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and

**GALVESTON**  
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***NOTES TO FINANCIAL STATEMENTS (Continued)***  
**For the Year Ended August 31, 2019**

contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

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

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## INDEPENDENT SCHOOL DISTRICT

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

#### For the Year Ended August 31, 2019

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

<b><u>Contribution Rates</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Member	7.7%	7.7%
NECE (State)	6.8%	6.8%
Employers	6.8%	6.8%

	<b><u>Measurement Year (2018)</u></b>	<b><u>Fiscal Year (2019)</u></b>
Employer contributions	\$ 1,521,243	\$ 1,654,008
Member contributions	\$ 3,416,133	\$ 3,675,692
NECE on-behalf contributions	\$ 2,145,912	\$ 2,334,420

Contributors to TRS include members, employers, and the State as the only non-employer contributing entity (NECE). The State is the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to TRS in accordance with state statutes and the GAA.

As the NECE for public education and junior colleges, the State contributes to TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of TRS during that fiscal year reduced by the amounts described below, which are paid by the employers. Employers (public school, junior college, other entities, or the State as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

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

# GALVESTON

## INDEPENDENT SCHOOL DISTRICT

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

For the Year Ended August 31, 2019

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

#### Actuarial Assumptions

The total pension liability (TPL) in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	6.907%
Long-term expected investment rate of return	7.250%
Municipal bond rate	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2116
Inflation	2.3%
Salary increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
Ad hoc postemployment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

#### Discount Rate

The single discount rate used to measure the TPL was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from TRS members and those of the contributing employers and the NECE are made at the statutorily required rates. Based on those assumptions, TRS's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2018 are summarized below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-Term Portfolio Returns *</b>
<b>Global Equity</b>			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
<b>Stable Value</b>			0.1%
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Hedge Funds (Stable Value)	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
<b>Real Return</b>			
Global Inflation-Linked Bonds	3.0%	0.7%	0.0%
Real Assets	16.0%	5.2%	0.7%
Energy and Natural Resources	3.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	3.7%	0.3%
Inflation Expectation	0.0%		2.2%
Alpha	0.0%		-0.8%
<b>Total</b>	<u>100.0%</u>		<u>7.2%</u>

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

# GALVESTON

## INDEPENDENT SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2019

#### Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability (NPL) if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the NPL:

	1% Decrease in Discount Rate (5.907%)	Current Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability	\$ 37,513,365	\$ 24,855,801	\$ 14,608,753

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

At August 31, 2019, the District reported a liability of \$24,855,801 for its proportionate share of the TRS's NPL. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 24,855,801
State's proportionate share that is associated with the District	35,084,192
<b>Total</b>	<u><u>\$ 59,939,993</u></u>

The NPL was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the NPL was based on the District's contributions to TRS relative to the contributions of all employers to TRS for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the District's proportion of the collective net pension liability was 0.0451575% compared to 0.045748% as of August 31, 2017

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the TPL since the prior measurement period.

- The TPL as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions, including rates of salary increase for individual participants, were updated based on the same experience study.

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**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

- The discount rate changed from 8.000% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.00% to 7.25%.
- The change in the long-term assumed rate of return, combined with the change in the single discount rate, were the primary reasons for the increase in the NPL.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the fiscal year ended August 31, 2019, the District recognized pension expense of \$3,472,400 and revenue of \$3,472,400 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual economic experience	\$ 154,931	\$ 609,863
Changes in actuarial assumptions	8,961,714	280,054
Difference between projected and actual investment earnings	-	471,621
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,373,234	1,173,418
Contributions paid to TRS subsequent to the measurement date	1,654,008	-
<b>Total</b>	<b>\$ 13,143,887</b>	<b>\$ 2,534,956</b>

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended August 31</b>	<b>Pension Expense</b>
2020	\$ 2,551,013
2021	1,558,526
2022	1,260,300
2023	1,296,261
2024	1,326,876
Thereafter	961,947
<b>Total</b>	<b>\$ 8,954,923</b>

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**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

**D. Defined Other Postemployment Benefit Plan**

Plan Description

The District participates in TRS-Care. It is a multiple-employer, cost-sharing defined benefit OPEB plan that has a special funding situation. TRS-Care is administered through a trust by TRS Board of Trustees (the "Board"). It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

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

Components of the net OPEB liability of TRS-Care as of August 31, 2018 are as follows:

Total OPEB liability	\$ 50,729,490,103
Less: plan fiduciary net position	<u>798,574,633</u>
<b>Net OPEB Liability</b>	<b><u>\$ 49,930,915,470</u></b>
Net position as a percentage of total OPEB liability	1.57%

Benefits Provided

TRS-Care provides a basic health insurance coverage, TRS-Care 1 (the "Basic Plan") at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of TRS. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits, TRS-Care 2 and TRS-Care 3 (the "Optional Health Insurance"). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least ten years of service credit in TRS. The Board is granted the authority to establish basic and optional group insurance coverage for participants, as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments.



# GALVESTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2019

The premium rates for the Optional Health Insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage:

TRS-Care Plan Premium Rates		
Effective January 1, 2018 - December 31, 2018		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and spouse	\$ 529	\$ 689
Retiree and children	\$ 468	\$ 408
Retiree and family	\$ 1,020	\$ 999

*\*or surviving spouse*

### Contributions

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

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

Contribution Rates		
	Fiscal Year	
	2018	2019
Active employee	0.65%	0.65%
NECE (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private funding remitted by employers	1.00%	1.25%

	Measurement Year (2018)	Fiscal Year (2019)
Current fiscal year District contributions	\$ 411,882	\$ 504,518
Current fiscal year member contributions	\$ 288,375	\$ 310,286
NECE on-behalf contributions	\$ 504,975	\$ 596,703

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

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

TRS-Care received supplemental appropriations from the State as the NECE in the amount of \$182.6 million in fiscal year 2018. The 85<sup>th</sup> Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal year 2018-2019 biennium to continue to support TRS-Care. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

- A change was made in the measurement date of the total OPEB liability for the TRS 2018 fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This was the first year the roll-forward procedures were used.
- The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the TRS pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability; and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation.
- The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale.
- Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and an initial medical trend rate of 6.75% for non-Medicare retirees were used. The initial prescription drug trend rate was 11.00% for all retirees. The first-year trend rate increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

- |                                  |                            |
|----------------------------------|----------------------------|
| 1. Rates of Mortality            | 5. General Inflation       |
| 2. Rates of Retirement           | 6. Wage Inflation          |
| 3. Rates of Termination          | 7. Expected Payroll Growth |
| 4. Rates of Disability Incidence |                            |

# GALVESTON

## INDEPENDENT SCHOOL DISTRICT

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

#### For the Year Ended August 31, 2019

Additional actuarial methods and assumptions are as follows:

Valuation date	8/31/2017 rolled forward to 8/31/2018
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate*	3.69%. Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected salary increases**	3.50% to 9.50% **
Ad hoc postemployment benefit changes	None

The impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.5%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

#### Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because TRS-Care is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the NECE are made at the statutorily required rates. Based on those assumptions, TRS-Care's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

# GALVESTON

## INDEPENDENT SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended August 31, 2019

#### Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used in measuring the net OPEB liability:

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 39,351,242	\$ 33,058,726	\$ 28,080,940

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate of 8.5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than or 1% higher than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
District's proportionate share of net OPEB liability	\$ 27,455,810	\$ 33,058,726	\$ 40,437,887

#### OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At August 31, 2019, the District reported a liability of \$33,058,726 for its proportionate share of TRS-Care's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 33,058,726
State's proportionate share that is associated with the District	36,601,566
<b>Total</b>	<b>\$ 69,660,292</b>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to TRS-Care relative to the contributions of all employers to TRS-Care for the period September 1, 2017 through August 31, 2018.

At August 31, 2019, the District's proportion of the collective net OPEB liability was 0.0662089%, compared to 0.0692736% as of August 31, 2018.

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*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

Changes Since the Prior Actuarial Valuation

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

- Adjustments were made for retirees that were known to have discontinued their healthcare coverage in fiscal year 2018. This change increased the total OPEB liability.
- The healthcare trend rate assumption was updated to reflect the anticipated return of the HIF in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability by \$2.3 billion.

The following are changes in benefit terms since the prior measurement date effective September 1, 2017 by the 85<sup>th</sup> Texas Legislature:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed TRS-Care to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the fiscal year ended August 31, 2019, the District recognized OPEB expense of \$1,331,345 and revenue of \$1,331,345 for support provided by the State.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

At August 31, 2019, the District reported its proportionate share of TRS-Care's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 1,754,304	\$ 521,715
Changes in actuarial assumptions	551,661	9,932,250
Differences between projected and actual investment earnings	5,782	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	119	1,681,938
Contributions paid to TRS subsequent to the measurement date	504,518	-
<b>Total</b>	<u><u>\$ 2,816,384</u></u>	<u><u>\$ 12,135,903</u></u>

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended August 31</b>	<b>Expense Amount</b>
2019	\$ (1,510,326)
2020	(1,510,326)
2021	(1,510,326)
2022	(1,511,420)
2023	(1,512,045)
Thereafter	(2,269,594)
	<u><u>\$ (9,824,037)</u></u>

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, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$171,752, \$136,244, and \$127,872, respectively.

**E. Employee Health Care Coverage**

During the year ended August 31, 2019, 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, 2019 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, 2019

**F. Workers' Compensation Insurance**

During the year ended August 31, 2019, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2018, the Fund carries a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2019, 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, 2018 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, 2019, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2019, the Fund anticipates that the District has no additional liability beyond the contractual obligation 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, 2018 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, 2019**

**H. Shared Services Arrangements**

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

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

**Visually Impaired Program - Fund 446**

Member Districts

Hitchcock ISD	\$ 1,135
Texas City ISD	13,049
Dickinson ISD	7,943
Galveston ISD	9,078
Friendswood ISD	14,751
Sante Fe ISD	10,779
<b>Total</b>	<u><u>\$ 56,735</u></u>

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

Member Districts

Hitchcock ISD	\$ 2,604
Texas City ISD	31,253
Dickinson ISD	19,533
Galveston ISD	19,533
Friendswood ISD	35,160
Sante Fe ISD	22,137
<b>Total</b>	<u><u>\$ 130,220</u></u>

**I. Hurricane Ike**

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

Damage to the District's facilities was extensive, amounting to approximately \$47,900,000. The District received approximately \$8,400,000 in insurance proceeds. The Federal Emergency Management Agency (FEMA) has already paid the District approximately \$17,750,000 under various grant programs and another \$17,476,485 is anticipated based on expenses incurred to date. However, some additional expenses have yet to be incurred. It is anticipated that FEMA will pay only 90 percent of expenses incurred, less insurance proceeds. The remaining ten percent shall be covered by the District. While many of these expenditures incurred by the District are expected to be



**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended August 31, 2019

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's and FEMA's handling of other governments' claims and have been critical of the handling of these agencies. Such reviews could additionally impact the amount received by the District. Management of the District has estimated the damages incurred, the insurance proceeds remaining, and the amounts it anticipates to recover from FEMA. However, the amount ultimately expended by the District, received from insurance proceeds, and paid by FEMA could vary significantly. As of August 31, 2019, the District's receivable was \$4,195,965.

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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, 2019

Data Control Codes		Budgeted Amounts		Actual	Variance
		Original	Final		With Final Budget
Revenues					
5700	Local and intermediate sources	\$ 78,423,003	\$ 79,001,898	\$ 79,342,686	\$ 340,788
5800	State program revenues	7,546,171	7,781,152	13,419,086	5,637,934
5900	Federal program revenues	2,150,000	2,207,743	2,917,756	710,013
5020	Total Revenues	88,119,174	88,990,793	95,679,528	6,688,735
Expenditures					
0011	Instruction	34,473,895	33,522,066	33,839,410	(317,344) *
0012	Instructional resources and media services	545,659	459,543	453,494	6,049
0013	Curriculum/instructional staff development	808,020	727,949	740,273	(12,324) *
0021	Instructional leadership	1,500,539	2,276,063	1,462,672	813,391
0023	School leadership	3,911,292	3,972,323	4,042,025	(69,702) *
0031	Guidance, counseling, and evaluation services	1,881,213	1,810,987	1,895,247	(84,260) *
0032	Social work services	261,260	263,044	262,199	845
0033	Health services	541,115	502,837	503,666	(829) *
0034	Student (pupil) transportation	2,952,287	3,003,371	3,039,482	(36,111) *
0036	Extracurricular activities	1,864,232	1,948,765	1,984,153	(35,388) *
0041	General administration	2,450,798	2,178,027	2,329,901	(151,874) *
0051	Plant maintenance and operations	8,190,633	9,282,331	8,151,938	1,130,393
0052	Security and monitoring services	1,001,672	974,756	996,788	(22,032) *
0053	Data processing services	1,398,734	1,654,341	1,532,604	121,737
0061	Community services	294,635	801,788	695,190	106,598
Capital outlay:					
0081	Facilities acquisition and construction	-	428,199	329,317	98,882
Intergovernmental:					
0091	Contracted instructional services	26,204,170	26,346,324	26,139,990	206,334
0093	Payments to shared services arrangements	1,702,229	60,000	92,583	(32,583) *
0099	Other governmental charges	654,000	701,521	881,611	(180,090) *
6030	Total Expenditures	90,636,383	90,914,235	89,372,543	1,541,692
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,517,209)	(1,923,442)	6,306,985	8,230,427
Other Financing Sources (Uses)					
7912	Sale of real and personal property	-	23,567	123,567	100,000
8912	Special items	-	(10,340,093)	-	10,340,093
7080	Total Other Financing Sources (Uses)	-	(10,316,526)	123,567	10,440,093
1200	Net Change in Fund Balance	(2,517,209)	(12,239,968)	6,430,552	18,670,520
0100	Beginning fund balance	23,706,447	23,706,447	23,706,447	-
3000	Ending Fund Balance	\$ 21,189,238	\$ 11,466,479	\$ 30,136,999	\$ 18,670,520

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.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE*  
*OF THE NET PENSION LIABILITY*  
**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-2**  
For the Year Ended August 31, 2019

	Measurement Year*			
	2018	2017	2016	2015
District's proportion of the net pension liability	0.0451575%	0.0457480%	0.0490027%	0.0527456%
District's proportionate share of the net pension	\$ 24,855,801	\$ 14,627,732	\$ 18,517,405	\$ 18,644,868
State's proportionate share of the net pension	35,084,192	20,805,798	24,920,877	23,289,869
<b>Total</b>	<u>\$ 59,939,993</u>	<u>\$ 35,433,530</u>	<u>\$ 43,438,282</u>	<u>\$ 41,934,737</u>
District's covered payroll**	\$ 44,365,365	\$ 43,545,952	\$ 43,787,789	\$ 42,319,177
District's proportionate share of the net pension liability as a percentage of its covered payroll	56.03%	33.59%	42.29%	44.06%
Plan fiduciary net position as a percentage of the total pension liability	73.34%	82.17%	78.00%	78.43%

\* Only five years' worth of information is currently available.

\*\* As of the measurement date.

**Notes to Required Supplementary Information:**

*Changes in Assumptions:*

The total pension liability (TPL), as of August 31, 2018, was developed using a roll-forward method from the August 31, 2017 valuation

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.

The discount rate changed from 8.000 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.

The long-term assumed rate of return changed from 8.00 percent to 7.25 percent.

The change in the long-term assumed rate of return, combined with the change in the single discount rate, were the primary reasons for the increase in the net pension liability.

*Changes in benefits:* There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

Measurement
Year
2014
0.0316100%

\$ 8,444,136

18,734,703
\$ 27,178,839

\$ 36,658,444

23.03%

83.25%

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DISTRICT CONTRIBUTIONS*  
**TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3**  
For the Year Ended August 31, 2019

	Fiscal Year*			
	2019	2018	2017	2016
Contractually required contribution	\$ 1,654,008	\$ 1,519,598	\$ 1,499,351	\$ 1,556,573
Contributions in relation to the				
contractually required contribution	1,654,008	1,519,598	1,499,351	1,556,573
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 47,736,256	\$ 44,365,365	\$ 43,545,952	\$ 43,787,789
Contributions as a percentage of covered payroll	3.46%	3.43%	3.44%	3.55%

\* Only six years' worth of information is currently available.



Fiscal Year*			
	2015		2014
\$	1,561,821	\$	801,464
	1,561,821		801,464
\$	-	\$	-
\$	42,319,177	\$	36,658,444
	3.69%		2.19%

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF THE DISTRICT'S PROPORTIONATE*  
*SHARE OF THE NET OPEB LIABILITY*  
*TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES*  
**GROUP INSURANCE PROGRAM ("TRS-CARE") - EXHIBIT G-4**  
**For the Year Ended August 31, 2019**

	<b>Measurement Year*</b>	
	<b>2018</b>	<b>2017</b>
District's proportion of the collective net OPEB liability (asset)	0.0662089%	0.0692736%
District's proportionate share of the collective net OPEB liability (asset)	\$ 33,058,726	\$ 30,124,471
State's proportionate share of the collective net OPEB liability (asset) associated with the District	36,601,566	32,550,412
Total	<u>\$ 69,660,292</u>	<u>\$ 62,674,883</u>
District's covered payroll**	\$ 44,365,365	\$ 43,545,952
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	74.51%	69.18%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

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

**Notes to Required Supplementary Information:**

*Changes in Assumptions:*

Adjustments were made for retirees that were known to have discontinued their healthcare coverage in fiscal year 2018. This change increased the total OPEB liability.

The healthcare trend rate assumption was updated to reflect the anticipated return of the HIF in 2020. This change increased the total OPEB liability.

Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.

The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability by \$2.3 billion.

*Changes in Benefits:*

Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventative drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.

Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.

Allowed TRS-Care to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.

Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.

Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.



**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DISTRICT CONTRIBUTIONS*  
*TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES*  
**GROUP INSURANCE PROGRAM ("TRS-CARE") - EXHIBIT G-5**  
For the Year Ended August 31, 2019

	<b>Fiscal Year*</b>	
	<b>2019</b>	<b>2018</b>
Statutorily required contributions	\$ 504,518	\$ 411,882
Contributions in relation to the statutorily required contributions	504,518	411,882
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 47,736,256	\$ 44,365,365
Contributions as a percentage of covered payroll	1.06%	0.93%

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

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***OTHER SUPPLEMENTARY  
INFORMATION***

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 1 of 3)**  
**August 31, 2019**

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	\$ -	\$ 9,156	\$ 864	\$ -
1120	Investments	-	-	-	-
1240	Due from other governments	13,262	369,554	375,762	38,154
1300	Inventories	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 13,262</u>	<u>\$ 378,710</u>	<u>\$ 376,626</u>	<u>\$ 38,154</u>
	<b><u>Liabilities</u></b>				
2110	Accounts payable	\$ -	\$ 1,752	\$ 7,000	\$ -
2150	Payroll deductions payable	374	8,235	8,603	367
2160	Accrued wages payable	-	57,951	94,749	4,200
2170	Due to other funds	12,888	301,616	265,410	33,587
2180	Due to other governments	-	9,156	134	-
2300	Unearned revenue	-	-	730	-
2000	<b>Total Liabilities</b>	<u>13,262</u>	<u>378,710</u>	<u>376,626</u>	<u>38,154</u>
	<b><u>Fund Balances</u></b>				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/state fund grant restrictions	-	-	-	-
3490	Other restrictions of fund balances	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 13,262</u>	<u>\$ 378,710</u>	<u>\$ 376,626</u>	<u>\$ 38,154</u>



Special Revenue Funds					
240	244	255	263	265	277
National School Breakfast and Lunch Program	Career and Technical Basic	ESEA Title II Part A Training	Title III ELA	21st Century Grant	Youth Career Connect
\$ 2,756,504	\$ -	\$ 61,273	\$ -	\$ -	\$ -
4,019	-	-	-	-	-
11,130	1,619	-	6,817	470,593	398,049
129,659	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,901,312</u>	<u>\$ 1,619</u>	<u>\$ 61,273</u>	<u>\$ 6,817</u>	<u>\$ 470,593</u>	<u>\$ 398,049</u>
\$ 239,848	\$ -	\$ 206	\$ -	\$ 1,633	\$ 6,600
11,961	-	720	538	3,900	1,575
-	-	-	-	-	-
541,995	1,619	-	6,279	465,060	389,874
-	-	41,078	-	-	-
-	-	19,269	-	-	-
<u>793,804</u>	<u>1,619</u>	<u>61,273</u>	<u>6,817</u>	<u>470,593</u>	<u>398,049</u>
129,659	-	-	-	-	-
1,977,849	-	-	-	-	-
-	-	-	-	-	-
<u>2,107,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,901,312</u>	<u>\$ 1,619</u>	<u>\$ 61,273</u>	<u>\$ 6,817</u>	<u>\$ 470,593</u>	<u>\$ 398,049</u>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 2 of 3)**  
**August 31, 2019**

Data Control Codes		Special Revenue Funds			
		288 Literacy Through School Libraries	289 Miscellaneous Federal Grants	397 Advanced Placement Incentives	410 State Textbook
	<b><u>Assets</u></b>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ 10,617	\$ 20,881
1120	Investments	-	-	-	-
1240	Due from other governments	719,939	688,129	-	741,640
1300	Inventories	-	-	-	-
1410	Prepaid items	-	-	-	35,000
1000	<b>Total Assets</b>	<u>\$ 719,939</u>	<u>\$ 688,129</u>	<u>\$ 10,617</u>	<u>\$ 797,521</u>
	<b><u>Liabilities</u></b>				
2110	Accounts payable	\$ 15,178	\$ -	\$ -	\$ 741,640
2150	Payroll deductions payable	5,432	1,840	-	-
2160	Accrued wages payable	2,090	11,936	-	-
2170	Due to other funds	697,239	591,416	-	-
2180	Due to other governments	-	77,930	-	-
2300	Unearned revenue	-	5,007	-	55,881
2000	<b>Total Liabilities</b>	<u>719,939</u>	<u>688,129</u>	<u>-</u>	<u>797,521</u>
	<b><u>Fund Balances</u></b>				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/state fund grant restrictions	-	-	10,617	-
3490	Other restrictions of fund balances	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>10,617</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 719,939</u>	<u>\$ 688,129</u>	<u>\$ 10,617</u>	<u>\$ 797,521</u>

Special Revenue Funds					
427 State Funded Special Revenue	434 Supplemental Visually Impaired	446 Shared Services Locally Defined	460 Community Youth Development	461 Campus Activity	480 BHS Booster Club Donations
\$ 7,387	\$ -	\$ -	\$ 1,543	\$ 261,589	\$ 1,144,944
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 7,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,543</u>	<u>\$ 261,589</u>	<u>\$ 1,144,944</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,220	\$ 7,333
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	58,772	-
-	-	-	-	-	-
-	-	-	-	-	1,063,936
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,992</u>	<u>1,071,269</u>
-	-	-	-	-	-
7,387	-	-	-	-	-
-	-	-	1,543	199,597	73,675
<u>7,387</u>	<u>-</u>	<u>-</u>	<u>1,543</u>	<u>199,597</u>	<u>73,675</u>
<u>\$ 7,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,543</u>	<u>\$ 261,589</u>	<u>\$ 1,144,944</u>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1 (Page 3 of 3)**  
**August 31, 2019**

Data Control Codes		Special Revenue Funds			Capital Projects Fund
		484	486	499	679
		Galveston Educational Foundation	Miscellaneous Donations	Other Special Revenue	Career Tech Renovations
	<b>Assets</b>				
1110	Cash and cash equivalents	\$ 45,290	\$ 158,744	\$ 12,724	\$ 15,802
1120	Investments	-	-	-	-
1240	Due from other governments	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepaid items	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 45,290</u>	<u>\$ 158,744</u>	<u>\$ 12,724</u>	<u>\$ 15,802</u>
	<b>Liabilities</b>				
2110	Accounts payable	\$ 1,659	\$ -	\$ -	\$ -
2150	Payroll deductions payable	432	-	-	-
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	-
2180	Due to other governments	-	-	-	-
2300	Unearned revenue	43,199	-	-	-
2000	<b>Total Liabilities</b>	<u>45,290</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Fund Balances</b>				
	Nonspendable:				
3410	Inventories	-	-	-	-
	Restricted:				
3450	Federal/state fund grant restrictions	-	-	-	-
3490	Other restrictions of fund balances	-	158,744	12,724	15,802
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>158,744</u>	<u>12,724</u>	<u>15,802</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 45,290</u>	<u>\$ 158,744</u>	<u>\$ 12,724</u>	<u>\$ 15,802</u>

**Total  
Nonmajor  
Governmental  
Funds**

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\$	4,507,318
	4,019
	3,834,648
	129,659
	35,000
<b>\$</b>	<b>8,510,644</b>

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\$	1,026,069
	43,977
	170,926
	3,365,755
	128,298
	1,188,022
	<b>5,923,047</b>

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	129,659
	1,995,853
	462,085
	<b>2,587,597</b>
<b>\$</b>	<b>8,510,644</b>

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**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, 2019**

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>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	55,604	3,492,596	1,776,216	67,124
5020	<b>Total Revenues</b>	<u>55,604</u>	<u>3,492,596</u>	<u>1,776,216</u>	<u>67,124</u>
	<b>Expenditures</b>				
	Current:				
0011	Instruction	1,194	1,695,584	1,289,141	67,124
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum/instructional staff development	-	1,162,524	-	-
0021	Instructional leadership	-	227,879	6,141	-
0023	School leadership	-	8,735	-	-
0031	Guidance, counseling, and evaluation services	-	-	480,934	-
0032	Social work services	-	69,176	-	-
0033	Health services	-	287,657	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	859	-	-
0061	Community services	54,410	40,182	-	-
	<b>Capital outlay:</b>				
0081	Facilities acquisition and construction	-	-	-	-
6030	<b>Total Expenditures</b>	<u>55,604</u>	<u>3,492,596</u>	<u>1,776,216</u>	<u>67,124</u>
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	263	265	277
National School Breakfast and Lunch Program	Career and Technical Basic	ESEA Title II Part A Training	Title III ELA	21st Century Grant	Youth Career Connect
\$ 760,333	\$ -	\$ -	\$ -	\$ -	\$ -
20,048	-	-	-	-	-
5,079,633	104,197	251,146	96,774	1,296,269	684,666
5,860,014	104,197	251,146	96,774	1,296,269	684,666
-	98,724	77,580	28,567	791,673	382,080
-	-	-	-	-	-
-	5,473	171,493	67,707	179,716	-
-	-	-	500	295,500	104,611
-	-	-	-	-	-
-	-	-	-	-	166,535
-	-	-	-	-	-
6,010,679	-	-	-	-	-
-	-	-	-	-	-
-	-	2,073	-	-	-
19,172	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	29,380	-
-	-	-	-	-	31,440
6,029,851	104,197	251,146	96,774	1,296,269	684,666
(169,837)	-	-	-	-	-
2,277,345	-	-	-	-	-
\$ 2,107,508	\$ -	\$ -	\$ -	\$ -	\$ -

**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, 2019**

		Special Revenue Funds			
		288	289	397	410
Data		Literacy	Miscellaneous	Advanced	
Control		Through	Federal	Placement	
Codes		School	Grants	Incentives	State
		Libraries			Textbook
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	2,000	1,167,784
5900	Federal program revenues	916,099	1,020,889	-	-
5020	<b>Total Revenues</b>	916,099	1,020,889	2,000	1,167,784
<b>Expenditures</b>					
Current:					
0011	Instruction	369,755	195,117	-	1,166,314
0012	Instructional resources and media services	126	-	-	-
0013	Curriculum/instructional staff development	412,463	818,299	-	-
0021	Instructional leadership	133,755	-	-	1,470
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	7,473	-	-
0052	Security and monitoring services	-	-	-	-
0061	Community services	-	-	-	-
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	-	-	-	-
6030	<b>Total Expenditures</b>	916,099	1,020,889	-	1,167,784
1200	<b>Net Change in Fund Balances</b>	-	-	2,000	-
0100	Beginning fund balances	-	-	8,617	-
3000	<b>Ending Fund Balances</b>	\$ -	\$ -	\$ 10,617	\$ -



Special Revenue Funds					
427 State Funded Special Revenue	434 Supplemental Visually Impaired	446 Shared Services Locally Defined	460 Community Youth Development	461 Campus Activity	480 BHS Booster Club Donations
\$ -	\$ 123,457	\$ 54,336	\$ 38,877	\$ 335,296	\$ 180,490
-	6,763	2,399	2,318	-	35
-	-	-	-	-	-
-	130,220	56,735	41,195	335,296	180,525
-	130,220	56,735	39,652	804	209,063
-	-	-	-	7,458	-
-	-	-	-	-	41,533
-	-	-	-	-	12,437
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	280,276	-
-	-	-	-	120	-
-	-	-	-	-	7,535
-	-	-	-	-	-
-	-	-	-	-	2,721
-	-	-	-	-	-
-	130,220	56,735	39,652	288,658	273,289
-	-	-	1,543	46,638	(92,764)
7,387	-	-	-	152,959	166,439
\$ 7,387	\$ -	\$ -	\$ 1,543	\$ 199,597	\$ 73,675

**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, 2019**

Data Control Codes		Special Revenue Funds			Capital Projects Fund
		484	486	499	679
		Galveston Educational Foundation	Miscellaneous Donations	Other Special Revenue	Career Tech Renovations
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ 308,170	\$ 109,721	\$ -	\$ -
5800	State program revenues	4,726	-	-	-
5900	Federal program revenues	-	-	-	-
5020	<b>Total Revenues</b>	<u>312,896</u>	<u>109,721</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>					
Current:					
0011	Instruction	229,165	9,295	585	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum/instructional staff development	-	4,165	-	-
0021	Instructional leadership	3,404	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	6,461	17,445	-
0041	General administration	80,558	429	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0061	Community services	-	-	-	-
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	-	-	-	18,625
6030	<b>Total Expenditures</b>	<u>313,127</u>	<u>20,350</u>	<u>18,030</u>	<u>18,625</u>
1200	<b>Net Change in Fund Balances</b>	(231)	89,371	(18,030)	(18,625)
0100	Beginning fund balances	<u>231</u>	<u>69,373</u>	<u>30,754</u>	<u>34,427</u>
3000	<b>Ending Fund Balances</b>	<u>\$ -</u>	<u>\$ 158,744</u>	<u>\$ 12,724</u>	<u>\$ 15,802</u>

**Total  
Nonmajor  
Governmental  
Funds**

\$	1,910,680
	1,206,073
	14,841,213
	<u>17,957,966</u>

6,838,372
7,584
2,863,373
785,697
8,735
647,469
69,176
287,657
6,010,679
304,182
83,180
34,180
859
126,693

50,065
<u>18,117,901</u>

(159,935)

<u>2,747,532</u>
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<u><u>\$ 2,587,597</u></u>
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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*COMBINING STATEMENT OF NET POSITION*  
*INTERNAL SERVICE FUNDS - EXHIBIT H-3*  
August 31, 2019

Data Control Codes		748	771	772	773
		Concession	Workers' Compensation Insurance	Care Here	Flex Spending
	<b><u>Assets</u></b>				
1110	Cash and cash equivalents	\$ 20,572	\$ 425,523	\$ 76,539	\$ 1,012
1000	<b>Total Assets</b>	<u>20,572</u>	<u>425,523</u>	<u>76,539</u>	<u>1,012</u>
	<b><u>Liabilities</u></b>				
2110	Accounts payable	-	-	29,636	-
2000	<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>29,636</u>	<u>-</u>
	<b><u>Net Position</u></b>				
3900	Unrestricted	20,572	425,523	46,903	1,012
4000	<b>Total Net Position</b>	<u>\$ 20,572</u>	<u>\$ 425,523</u>	<u>\$ 46,903</u>	<u>\$ 1,012</u>

**Total  
Internal  
Service  
Funds**

---

\$	523,646
	<hr/> 523,646

	29,636
	<hr/> 29,636

	494,010
\$	<hr/> 494,010
	<hr/> <hr/>

**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, 2019

Data Control Dates		748	771	772	773
		Concession	Workers' Compensation Insurance	Care Here	Flex Spending
	<b><u>Operating Revenues</u></b>				
5700	Local and intermediate sources	\$ -	\$ 690	\$ 613,704	\$ 2
5020	<b>Total Operating Revenues</b>	-	690	613,704	2
	<b><u>Operating Expenses</u></b>				
6200	Professional and contracted services	-	107,676	549,158	-
6030	<b>Total Expenses</b>	-	107,676	549,158	-
	<b>Operating Income (Loss)</b>	-	(106,986)	64,546	2
1200	<b>Change in Net Position</b>	-	(106,986)	64,546	2
0100	Beginning net position	20,572	532,509	(17,643)	1,010
3000	<b>Ending Net Position</b>	<u>\$ 20,572</u>	<u>\$ 425,523</u>	<u>\$ 46,903</u>	<u>\$ 1,012</u>

<b>Total Internal Service Funds</b>	
\$	614,396
	614,396
	656,834
	656,834
	(42,438)
	(42,438)
	536,448
\$	494,010

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS - EXHIBIT H-5**  
For the Year Ended August 31, 2019

	748	771	772	773
	Concession	Workers' Compensation Insurance	Care Here	Flex Spending
<b><u>Cash Flows from Operating Activities</u></b>				
Cash received from customers	\$ -	\$ 690	\$ 613,704	\$ 2
Cash payments to suppliers for services	-	(107,676)	(543,811)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>-</u>	<u>(106,986)</u>	<u>69,893</u>	<u>2</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	-	(106,986)	69,893	2
Beginning cash and cash equivalents	<u>20,572</u>	<u>532,509</u>	<u>6,646</u>	<u>1,010</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 20,572</u></u>	<u><u>\$ 425,523</u></u>	<u><u>\$ 76,539</u></u>	<u><u>\$ 1,012</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	\$ -	\$ (106,986)	\$ 64,546	\$ 2
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
<b>Increase (Decrease) in:</b>				
Increase (decrease) in accounts payable	-	-	5,347	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ -</u></u>	<u><u>\$ (106,986)</u></u>	<u><u>\$ 69,893</u></u>	<u><u>\$ 2</u></u>



**Total  
Internal  
Service  
Funds**

---

\$ 614,396  
(651,487)  
(37,091)

(37,091)

560,737

\$ 523,646

\$ (42,438)

5,347  
\$ (37,091)

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF DELINQUENT TAXES RECEIVABLE - EXHIBIT J-1*  
For the Year Ended August 31, 2019

	1	2	3
	Tax Rates		Net Assessed/ Appraised Value For School Tax Purposes
<u>Last Ten Years</u>	<u>Maintenance</u>	<u>Debt Service</u>	
2010 and prior	Various	Various	Various
2011	\$ 1.0400	\$ 0.1250	\$ 4,398,184,463
2012	\$ 1.0400	\$ 0.1250	\$ 4,660,353,305
2013	\$ 1.0400	\$ 0.1250	\$ 4,986,602,403
2014	\$ 1.0400	\$ 0.1250	\$ 5,267,605,064
2015	\$ 1.0600	\$ 0.0950	\$ 5,544,074,372
2016	\$ 1.0600	\$ 0.0950	\$ 6,110,222,857
2017	\$ 1.0600	\$ 0.0950	\$ 6,744,449,177
2018	\$ 1.0600	\$ 0.0950	\$ 7,099,369,004
2019	\$ 1.0600	\$ 0.0950	\$ 7,308,451,169
<b>1000 Totals</b>			

<b>10</b>	<b>20</b>	<b>31</b>	<b>32</b>	<b>40</b>	<b>50</b>
<b>Beginning Balance 9/1/18</b>	<b>Current Year's Total Levy</b>	<b>Maintenance Total Collected</b>	<b>Debt Service Total Collected</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 8/31/19</b>
\$ 728,634	\$ -	\$ 92,943	\$ 507	\$ (27,338)	\$ 607,846
124,664	-	4,584	551	(637)	118,892
121,905	-	6,859	824	(657)	113,565
161,542	-	11,466	1,378	(9,307)	139,391
192,023	-	28,947	3,479	13,946	173,543
250,243	-	45,019	5,411	37,884	237,697
329,206	-	89,988	8,065	50,758	281,911
677,413	-	255,492	22,898	47,280	446,303
1,633,118	-	844,184	75,658	26,827	740,103
-	84,412,611	75,737,943	6,787,835	-	1,886,833
<u>\$ 4,218,748</u>	<u>\$ 84,412,611</u>	<u>\$ 77,117,425</u>	<u>\$ 6,906,606</u>	<u>\$ 138,756</u>	<u>\$ 4,746,084</u>

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*BUDGETARY COMPARISON SCHEDULE*  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM - EXHIBIT J-2**  
For the Year Ended August 31, 2019

Data Control Codes		Budgeted Amounts			Variance With Final Budget Positive
		Original	Final	Actual	(Negative)
<u>Revenues</u>					
5700	Local and intermediate sources	\$ 648,000	\$ 648,000	\$ 760,333	\$ 112,333
5800	State program revenues	25,000	25,000	20,048	(4,952)
5900	Federal program revenues	4,400,000	4,400,000	5,079,633	679,633
5020	Total Revenues	5,073,000	5,073,000	5,860,014	787,014
<u>Expenditures</u>					
0035	Food service	4,526,000	5,305,969	6,010,679	(704,710) *
0051	Plant maintenance and operations	547,000	547,000	19,172	527,828
6030	Total Expenditures	5,073,000	5,852,969	6,029,851	(176,882)
1200	Net Change in Fund Balance	-	(779,969)	(169,837)	610,132
0100	Beginning fund balance	2,277,345	2,277,345	2,277,345	-
3000	Ending Fund Balance	\$ 2,277,345	\$ 1,497,376	\$ 2,107,508	\$ 610,132

Notes for Supplementary Information:

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

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*BUDGETARY COMPARISON SCHEDULE*  
*DEBT SERVICE FUND - EXHIBIT J-3*  
For the Year Ended August 31, 2019

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
		Original	Final		
	<b><u>Revenues</u></b>				
5700	Local and intermediate sources	\$ 7,007,575	\$ 7,007,575	\$ 7,118,875	\$ 111,300
5800	State program revenues	-	-	67,581	67,581
5020	<b>Total Revenues</b>	<u>7,007,575</u>	<u>7,007,575</u>	<u>7,186,456</u>	<u>178,881</u>
	<b><u>Expenditures</u></b>				
	<b>Debt service:</b>				
0071	Principal	4,750,000	4,750,000	4,750,000	-
0072	Interest	2,828,342	2,828,342	2,819,419	8,923
6030	<b>Total Expenditures</b>	<u>7,578,342</u>	<u>7,578,342</u>	<u>7,569,419</u>	<u>8,923</u>
1200	<b>Net Change in Fund Balance</b>	<u>(570,767)</u>	<u>(570,767)</u>	<u>(382,963)</u>	<u>187,804</u>
0100	Beginning fund balance	5,386,730	5,386,730	5,386,730	-
3000	<b>Ending Fund Balance</b>	<u>\$ 4,815,963</u>	<u>\$ 4,815,963</u>	<u>\$ 5,003,767</u>	<u>\$ 187,804</u>

Notes for Supplementary Information:

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



***FEDERAL AWARDS AND OTHER COMPLIANCE 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**

February 14, 2020

To the Board of Trustees of  
Galveston Independent School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Galveston Independent School District (the "District"), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 14, 2020.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019.001 and 2019.002 that we consider to be significant deficiencies.

### **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*.

### **District's Response to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 THE UNIFORM GUIDANCE**

February 14, 2020

To the Board of Trustees of  
Galveston Independent School District:

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

We have audited the Galveston Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***  
**For the Year Ended August 31, 2019**

**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, 2019.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019.003. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

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

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

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

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***  
**For the Year Ended August 31, 2019**

schedule of findings and questioned costs as item 2019.003, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of finding and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*BELT HARRIS PECHACEK, LLLP*

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

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**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
***SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS***  
For the Year Ended August 31, 2019

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

No prior year findings.





**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended August 31, 2019

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the District (the "District").
2. 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. A significant deficiency in internal control over major federal award programs was disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for the District are reported in Part C of this schedule.
7. The programs included as major programs are:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.010	Title I, Part A
84.287	Twenty-First Century Community Learning Center
84.165	Magnet Schools Assistance

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District did qualify as a low-risk auditee.

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

***Significant Deficiency:***

**2019-001. RETAINAGE PAYABLE**

**Condition**

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

**Effect**

Liabilities were understated by the retainage payable.

**Cause**

The District did not record retainage. We also noted a number of invoices for work performed through

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***  
**For the Year Ended August 31, 2019**

yearend were not provided for payment by the related vendor until much later after yearend.

**Criteria**

Generally accepted accounting principles dictate that an expenditure and a liability are accrued at the time goods or services are received. In the case of construction contracts, a liability for retainage, the portion that is withheld until the project is completed, is accrued as the work progresses.

**Recommendation**

The District should review all construction projects that are incomplete as of yearend and work with its vendors for timely receipt of invoices and ensure a liability has been recorded for the related retainage payable.

**Management's Corrective Action Plan**

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

**2019-002. GRANT ACCRUALS**

**Condition**

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

**Effect**

Accounts receivables were over/understated by the related accruals.

**Cause**

The District's yearend closing procedures did not include reconciling the balance sheet for activity reported in the grant expenditure reports, the State payment ledger, and prior year general ledger activity after yearend.

**Criteria**

The District's business office is responsible for the accounting and reporting of federal grant dollars in accordance with generally accepted accounting principles, as well as laws and regulation as established by the U.S. Office of Management and Budget (OMB) and the Texas Education Agency (TEA).

**Recommendation**

The District should closely monitor the accrual adjustments posted in grant funds. A formal review of general ledger postings of grant accruals for accounts receivables should be implemented to reduce the risk of inaccurate reporting.

**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***  
For the Year Ended August 31, 2019

**Management's Corrective Action Plan**

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

**C. FINDINGS – FEDERAL AWARDS**

***Significant Deficiency in Internal Control Over Compliance:***

**2019-003. CASH MANAGEMENT-TITLE I**  
**Federal Agency: U.S. Department of Education**  
**Federal Program: Title I**  
**Pass-Through: State Department of Education**  
**CFDA: 84.010**

**Condition**

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

**Effect**

Liabilities were understated.

**Cause**

Expenditure coding by grant year was inaccurate and a reconciliation was not initially made comparing all previous requests prior to the requests for reimbursement.

**Criteria**

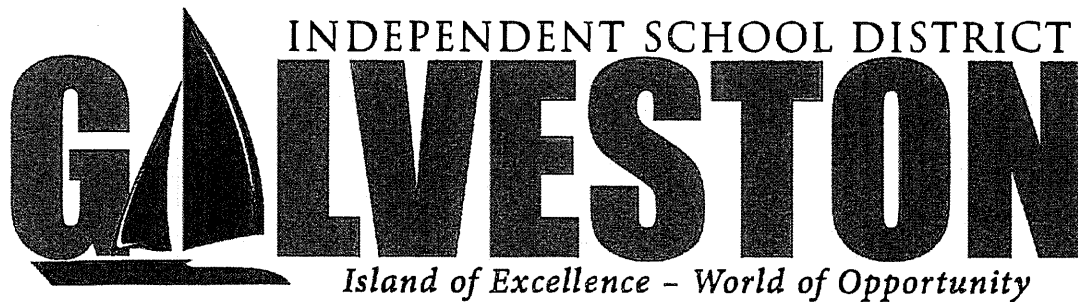
For grant awards funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the grantor.

**Recommendation**

The District should ensure that grant expenditure coding by year on the general ledger is posted correctly. Additional steps should be in place to reconcile the activity on the general ledger against grant expenditure reports to identify any errors in posting and review available funds for reimbursement.

Views of responsible officials and planned corrective action-see corrective action plan.

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## **CORRECTIVE ACTION PLAN**

February 14, 2020

Galveston Independent School District (the "District") has developed the following corrective action in response to the Independent Auditors Management letter dated February 14, 2020.

### ***Significant Deficiency in Internal Control Over Compliance:***

#### **2019-003. CASH MANAGEMENT-TITLE I**

**Federal Agency: U.S. Department of Education**

**Federal Program: Title I**

**Pass-Through: State Department of Education**

**CFDA: 84.010**

#### **Condition**

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

#### **Recommendation**

The District should ensure that grant expenditure coding by year on the general ledger is posted correctly. Additional steps should be in place to reconcile the activity on the general ledger against grant expenditure reports to identify any errors in posting and review available funds for reimbursement.

#### **Management's corrective action plan**

District staff developed a periodic monitoring process that provides for the reconciliation of expenditure reports to cumulative cash drawdowns, by grant, after each payroll. This should ensure that future cash draws are not over or under actual expenditure levels.

The District's Director of Finance will be responsible for cash draw downs.

A handwritten signature in black ink, appearing to read 'Tim Bargerbn', written over a horizontal line.

Tim Bargerbn

Assistant Superintendent for Business & Operations

# GALVESTON INDEPENDENT SCHOOL DISTRICT

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

For the Year Ended August 31, 2019

(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</i>			
Disaster Grants - Public Assistance	97.036	FEMA-4332-DR-TX	\$ 187,026
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b>187,026</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through State Department of Education</i>			
Title I, Part A	84.010	18610101084902	63,223
Title I, Part A	84.010	19610101084902	2,159,317
Title I, Part A	84.010	20610101084902	123,322
Title I, 1003 School Improvement	84.010	18610123084902	2,490
Title I, 1003 School Improvement	84.010	19610141084902	119,922
Title I, School Redesign	84.010	186101207110003	872,753
Carl D. Perkins Basic Formula	84.048	19420006084902	109,624
Twenty-First Century Community Learning Centers	84.287	196950267110019	1,310,608
Twenty-First Century Community Learning Centers	84.287	206950267110019	54,879
Title III, Part A	84.365	19671001084902	95,398
Title III, Part A	84.365	20671001084902	6,471
Title II, Part A, Supporting Effective Instruction	84.367	18694501084902	35,247
Title II, Part A, Supporting Effective Instruction	84.367	19694501084902	228,142
School Transformation	84.377	176107337110011	330,092
Title IV, Part A	84.424	19680101084902	119,122
Title IV, Part A	84.424	20680101084902	6,302
Hurricane Education Recovery	84.938G	18510701084902	7,473
Special Education Cluster (IDEA) Cluster:			
IDEA B, Formula Grant*	84.027	186600010849026000	469,152
IDEA B, Formula Grant*	84.027	196600010849026000	1,303,937
IDEA B, Formula Grant*	84.027	206600010849026000	100,235
IDEA B, Preschool*	84.173	186610010849026000	42,464
IDEA B, Preschool*	84.173	196610010849026000	28,250
Education for Homeless Children	84.196	194600057110031	58,500
<i>Passed Through Education Service Center, Region XVIII</i>			
Teacher and School Leader Incentive Grants	84.374	U374A170083 – 17A	894,150
<i>Direct Awards</i>			
Magnet Schools Assistance	84.165	U165A180033	916,099
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>9,457,172</b>

# GALVESTON INDEPENDENT SCHOOL DISTRICT

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

For the Year Ended August 31, 2019

(1)	(2)	(2A)	(3)
Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Passed Through Department of Health and Human Services			
YouthBuild Grant	17.274	YC-25406-14-60-A-48	\$ 684,666
TOTAL U.S. DEPARTMENT OF LABOR			684,666
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Health and Human Services Commission			
Medicaid Administrative Claiming Program	93.778	084-902	74,599
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			74,599
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education			
Child Nutrition Cluster:			
School Breakfast Program*	10.553	806780706	1,191,523
National School Lunch*	10.555	806780706	2,901,931
USDA Commodities	10.565	806780706	278,852
Direct Awards			
Child and Adult Care Food Program	10.558	19460009214	452,767
Child Nutrition Cluster:			
Summer Food Service Program*	10.559	19460009214	254,560
TOTAL U.S. DEPARTMENT OF AGRICULTURE			5,079,633
U.S. DEPARTMENT OF DEFENSE			
Passed Through U.S. Army			
Junior ROTC	12.000	084-902	72,170
TOTAL U.S. DEPARTMENT OF DEFENSE			72,170
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 15,555,266
Federal revenue per SEFA			\$ 15,555,266
SHARS			2,203,703
C-2 Federal revenue			\$ 17,758,969

\* Indicates clustered program under OMB Compliance Supplement

The accompanying notes are an integral part of this schedule.





**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2019**

**NOTE 1: BASIS OF ACCOUNTING**

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3: INDIRECT COST RATE**

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



**GALVESTON**  
**INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF REQUIRED RESPONSES TO*  
**SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1**  
For the Year Ended August 31, 2019

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual financial report?	Yes
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the annual financial report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the District make timely payments to the Teacher Retirement System, Texas Workforce Commission, Internal Revenue Service, and other government agencies?	Yes
SF8	Did the District <i>not</i> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end?	\$ 935,859
SF11	Net pension asset (1920) at fiscal year end	\$ -
SF12	Net pension liability (2540) at fiscal year end	\$ 24,855,801

