

PRESIDIO INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

PRESIDIO INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

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PRESIDIO INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
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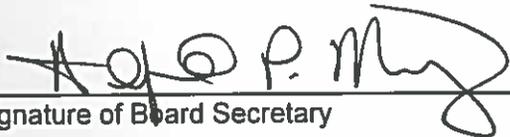
CERTIFICATE OF BOARD

Presidio Independent School District
Name of School District

Presidio
County

189-902
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, 2017, at a meeting of the Board of Trustees of such school district on the ___th day of _____ 2017.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the Auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

FINANCIAL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

UNMODIFIED OPINION ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Presidio Independent School District
Presidio, Texas

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 Presidio Independent School District (the District), as of and for the year ended August 31, 2017, and 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Presidio Independent School District, as of August 31, 2017, and the respective changes in financial position, 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 on pages 4-9, budgetary comparison information on page 40, and the pension related information on pages 41-43, respectively, 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Presidio Independent School District's basic financial statements. The accompanying combining balance sheet and statement of revenues, expenditures and changes in fund balance for all non-major governmental funds, and required Texas Education Agency (TEA) schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is also presented for purposes of additional analysis and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this accompanying information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017, on our consideration of Presidio Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 in the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

December 12, 2017

PRESIDIO INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the Presidio Independent School District's (the District) financial performance provides an overview of the District's financial performance for the year ended August 31, 2017. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditor's Report.

The Management's Discussion and Analysis (MD&A) is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

FINANCIAL HIGHLIGHTS

- The net position of the District increased by \$386,811 or 1.49%. The District's Statement of Activities showed total revenues were \$17,725,574, and expenses totaled \$17,338,763.
- The District ended the year, August 31, 2017, with total net position of \$26,321,358 including unrestricted net position of \$6,154,056. The balance of cash and investments at August 31, 2017, was \$13,939,753, which does not include the fiduciary cash and investment accounts since these funds are not for District operations.
- Total general fund expenditures were \$14,792,152 for the year ended August 31, 2017, and this compares with general fund expenditures of \$15,850,150 for the year ended August 31, 2016.
- The District's total revenues on the fund financial statements decreased from \$18,061,586 in 2015-16 to \$17,786,677 in 2016-17.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how the services of the District were sold to departments within the District. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.

The combining statements for non-major funds contain information about the District's individual non-major funds. The sections labeled Texas Education Agency Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

Government-Wide Financial Statements

The analysis of the District's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA or member districts in the equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business-type activities or component units as defined in the GASB Statement No. 34.

· Governmental activities – All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education through TEA. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's two fund types—governmental and fiduciary—use different accounting approaches.

· Governmental funds – Most of the District's basic services are included in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following the fund financial statements.

· Fiduciary funds – The District is the trustee, or fiduciary, for money raised by student activities, as well as for multiple clearing accounts. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Table I
Presidio Independent School District
Net Position
August 31, 2017 and 2016

	August 31,	
	2017	2016
Cash and Temporary Investments	\$ 13,939,753	\$ 13,498,391
Receivables	2,095,608	2,330,674
Capital Assets	18,480,961	19,424,067
Total Assets	\$ 34,516,322	\$ 35,253,132
Deferred Charge for Refunding	\$ 66,700	\$
Deferred Outflows Related to Pension Liability	1,493,800	1,813,553
Total Deferred Outflows	\$ 1,560,500	\$ 1,813,553
Current Liabilities	\$ 1,216,588	\$ 1,295,553
Long-Term Liabilities	4,775,796	5,980,622
Net Pension Liability	3,359,746	3,588,915
Total Liabilities	\$ 9,352,130	\$ 10,865,090
Deferred Inflows Related to Pension Liability	\$ 403,334	\$ 267,048
Total Deferred Inflows	\$ 403,334	\$ 267,048
Net Position		
Net Investment in Capital Assets	\$ 13,417,907	\$ 13,005,745
Restricted for Debt Service	1,211,164	1,922,827
Restricted for Other Purposes	5,538,231	5,503,781
Unrestricted Net Position	6,154,056	5,502,194
Total Net Position	\$ 26,321,358	\$ 25,934,547

Changes in Net Position

The District's net position increased during the year ended August 31, 2017. The net position increased by \$386,811 (see Table II). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$6,154,056 (Table I) at August 31, 2017. This compares with the District's unrestricted net position at August 31, 2016, of \$5,502,194, an increase of \$651,862. This increase is related to decreases in payroll related to turnover.

Table II
Presidio Independent School District
Changes in Net Position
For the Years Ended August 31, 2017 and 2016

	August 31,	
	2017	2016
Revenues:		
Program Revenues:		
Charges for Services	\$ 142,840	\$ 140,205
Operating Grants and Contributions	3,111,293	3,123,118
General Revenues:		
Maintenance and Operations Taxes	1,984,577	2,112,967
Debt Service Taxes	408,163	436,298
State Formula Aid	11,519,825	11,793,948
Investment Earnings	92,961	37,065
Miscellaneous	465,915	691,243
Total Revenues	<u>\$ 17,725,574</u>	<u>\$ 18,334,844</u>
Expenses:		
Instruction and Instructional-Related Services	\$ 8,780,767	\$ 9,876,070
Instructional and School Leadership	1,321,745	1,330,903
Student Support Services	620,180	615,474
Student Transportation	584,241	600,407
Food Services	1,159,245	1,170,593
Extracurricular Activities	753,213	734,485
General Administration	1,060,681	1,032,497
Plant Maintenance and Operations	1,844,039	1,651,665
Security and Data Processing Services	521,478	631,910
Community Services	160,136	224,036
Debt Service	253,085	311,460
Payments to Member Districts/Fiscal Agents	172,772	185,638
Other Intergovernmental Charges	107,181	109,794
Total Expenses	<u>\$ 17,338,763</u>	<u>\$ 18,474,932</u>
Increase (Decrease) in Net Position	<u>\$ 386,811</u>	<u>\$ (140,088)</u>

The District's total government-wide financial revenues decreased from \$18,334,844 in fiscal year 2016 to \$17,725,574 in fiscal year 2017, a decrease of \$609,270. This decrease was attributable to decline in state revenues due to less days accrued for 17-18 foundation payments as well as decline in property values. The total expenses of the District decreased by \$1,136,169 from \$18,474,932 to \$17,338,763. This decrease is attributable to decreases in payroll related to turnover.

Other factors impacting the District's financial position include the following:

- The District's total property tax rate remained consistent from prior year. The District is at the State maximum tax rate for maintenance and operations of \$1.17 and an I&S rate of \$0.24. The District appraised valuation of taxable property decreased from \$179,252,414 to \$169,778,391 a decrease of \$9,474,023 or 5.29%. The total school property taxes assessed for school year 2017 were \$2,393,875. This is a decrease of \$133,584 from the \$2,527,459 assessed in 2016.
- The District's average daily attendance (ADA) is the basis for most of the State funding received. The ADA went from 1,239.7 in 2016 to 1,239.4 in 2017.

Fund Balances

The District's total Governmental Funds fund balance was \$13,979,257. This fund balance is reported in the various Governmental funds as follows:

General Fund – Unassigned \$7,432,987. This balance is available for current spending; however, it has been the practice of the District to try and maintain a fund balance that is at least several months operating expenses.

General Fund – Restricted Other \$5,538,231. These funds are restricted and to be utilized based on the technology consortium agreements from which they were earned.

Debt Service Fund – Restricted for Retirement of Long-Term Debt \$1,008,039. These funds are restricted by covenants to fund the principal and interest payments of the bond and lease debt issuances.

Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenses. There were no individually significant amendments, while most amendments were to reclassify expenditures in various functions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Financial statement footnote no. 6 discloses the capital asset activity of the District for the year ended August 31, 2017.

Debt

Financial statement footnote no. 8 discloses the debt activity of the District for the year ended August 31, 2017.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has budgeted \$15,845,676 in general fund revenues for fiscal year 2017-2018. This is up \$106,065 from the \$15,739,611 actual general fund revenue for the 2016-2017 fiscal year. This increase is attributable to increases in property tax values.

The District also budgeted \$16,280,640 in general fund expenditures for 2017-2018. This is up \$1,488,488 from the actual 2016-2017 general fund expenditures of \$14,792,152. This increase is attributable to increases in payroll.

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 the District's business office, at Presidio Independent School District, PO Box 1401, Presidio, Texas 79845.

BASIC FINANCIAL STATEMENTS

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION
AUGUST 31, 2017

<u>Data Control Codes</u>		<u>Primary Government</u>
		<u>Governmental Activities</u>
	ASSETS AND OTHER DEBITS:	
1110	Cash and Temporary Investments	\$ 13,939,753
1220	Property Taxes - Delinquent	1,841,131
1230	Allowance for Uncollectible Taxes	(647,657)
1240	Due from Other Governments	703,341
1260	Due from Fiduciary Funds	166,345
1290	Other Receivables	32,448
	Capital Assets:	
1510	Land	1,616,978
1520	Buildings and Improvements, Net	16,120,778
1530	Furniture and Equipment, Net	349,117
1540	Vehicles, Net	<u>394,088</u>
1000	Total Assets	<u>\$ 34,516,322</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1701	Deferred Charge for Refunding	\$ 66,700
1705	Deferred Outflow Related to Pension Liability	<u>1,493,800</u>
1700	Total Deferred Outflows of Resources	<u>\$ 1,560,500</u>
	LIABILITIES:	
2110	Accounts Payable	\$ 192,148
2160	Accrued Wages Payable	622,067
2200	Accrued Expenses	33,030
2300	Unearned Revenues	15,385
2501	Due within One Year	353,958
2502	Due in More than One Year	4,383,545
2516	Unamortized Bond Premium	392,251
2540	Net Pension Liability	<u>3,359,746</u>
2000	Total Liabilities	<u>\$ 9,352,130</u>
	DEFERRED INFLOWS OF RESOURCES:	
2605	Deferred Inflow Related to Pension Liability	\$ <u>403,334</u>
2600	Total Deferred Inflows of Resources	<u>\$ 403,334</u>
	NET POSITION:	
3200	Net Investment in Capital Assets	\$ 13,417,907
3850	Restricted for Debt Service	1,211,164
3890	Restricted for Other Purposes	5,538,231
3900	Unrestricted Net Position	<u>6,154,056</u>
3000	Total Net Position	<u>\$ 26,321,358</u>

The accompanying notes are an integral part of this statement.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Expenses	3	4	6
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	
11	Instruction	\$ 8,405,541	\$	\$ 1,174,450	\$ (7,231,091)
12	Instructional Resources and Media Services	193,808		34,693	(159,115)
13	Curriculum and Staff Development	181,418		65,356	(116,062)
21	Instructional Leadership	350,131		101,786	(248,345)
23	School Leadership	971,614		53,723	(917,891)
31	Guidance, Counseling, and Evaluation Services	334,138		17,769	(316,369)
32	Social Work Services	163,328		14,431	(148,897)
33	Health Services	122,714		3,372	(119,342)
34	Student Transportation	584,241		24,189	(560,052)
35	Food Services	1,159,245	21,250	875,258	(262,737)
36	Extracurricular Activities	753,213	365	23,671	(729,177)
41	General Administration	1,060,681		44,047	(1,016,634)
51	Plant Maintenance and Operations	1,844,039	121,225	52,659	(1,670,155)
52	Security and Monitoring Services	319,694		14,267	(305,427)
53	Data Processing Services	201,784		9,728	(192,056)
61	Community Services	160,136		128,696	(31,440)
72	Interest on Long-Term Debt	141,444		473,198	331,754
73	Issuance Costs and Fees	111,641			(111,641)
93	Payments to Fiscal Agent/Member Districts	172,772			(172,772)
99	Other Intergovernmental Charges	107,181			(107,181)
	TP Total Primary Government	\$ <u>17,338,763</u>	\$ <u>142,840</u>	\$ <u>3,111,293</u>	\$ <u>(14,084,630)</u>

Data Control Codes

General Revenues:

MT	Property Taxes, Levied for General Purposes	\$ 1,984,577
DT	Property Taxes, Levied for Debt Service	408,163
SF	State Aid Formula Grants	11,519,825
GC	Grants and Contributions not Restricted	340,121
IE	Investment Earnings	92,961
MI	Miscellaneous Local and Intermediate Revenue	<u>125,794</u>
TR	Total General Revenues, Special Items, and Transfers	\$ <u>14,471,441</u>
CN	Change in Net Position	\$ 386,811
NB	Net Position - Beginning	<u>25,934,547</u>
NE	Net Position - Ending	\$ <u><u>26,321,358</u></u>

The accompanying notes are an integral part of this statement.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110	Cash and Temporary Investments	\$ 12,485,730	\$ 1,454,023	\$ 13,939,753
1220	Property Taxes - Delinquent	1,495,408	345,723	1,841,131
1230	Allowance for Uncollectible Taxes	(505,059)	(142,598)	(647,657)
1240	Receivables from Other Governments	533,151	170,190	703,341
1260	Due from Other Funds	736,605	64,240	800,845
1290	Other Receivables	32,448		32,448
1000	Total Assets	<u>\$ 14,778,283</u>	<u>\$ 1,891,578</u>	<u>\$ 16,669,861</u>
LIABILITIES:				
2110	Accounts Payable	\$ 187,433	\$ 4,715	\$ 192,148
2160	Accrued Wages Payable	594,964	27,103	622,067
2170	Due to Other Funds	4,587	629,913	634,500
2200	Accrued Expenditures	29,732	3,298	33,030
2300	Unearned Revenue		15,385	15,385
2000	Total Liabilities	<u>\$ 816,716</u>	<u>\$ 680,414</u>	<u>\$ 1,497,130</u>
DEFERRED INFLOWS OF RESOURCES:				
2601	Unavailable Revenue - Property Taxes	\$ 990,349	\$ 203,125	\$ 1,193,474
2600	Total Deferred Inflows	<u>\$ 990,349</u>	<u>\$ 203,125</u>	<u>\$ 1,193,474</u>
FUND BALANCES:				
Restricted for:				
3480	Retirement of Long-Term Debt	\$	\$ 1,008,039	\$ 1,008,039
3490	Other Purposes	5,538,231		5,538,231
3600	Unassigned	7,432,987		7,432,987
3000	Total Fund Balances	<u>\$ 12,971,218</u>	<u>\$ 1,008,039</u>	<u>\$ 13,979,257</u>
4000	Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 14,778,283</u>	<u>\$ 1,891,578</u>	<u>\$ 16,669,861</u>

The accompanying notes are an integral part of this statement.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
AUGUST 31, 2017

Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 13,979,257
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$33,490,970, and the accumulated depreciation was (\$14,066,903). In addition, bonds payable are not due and payable in the current period and therefore are not reported as liabilities in these funds. The long-term debt was (\$6,378,409) and unamortized premium of (\$39,913). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	13,005,745
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statement, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays \$16,691 and debt principal payments \$710,000 is to increase net position.	726,691
3 Current year net accretion and retirement on capital appreciation bonds is recognized when paid in the governmental funds, but is accrued as incurred in the Statement of Activities.	(84,936)
4 Bond issuances provide current financial resources to governmental funds but does not effect the Statement of Activities. During the year, the District issued refunding bonds for (\$4,055,000) as well as retired \$5,080,000 recognizing (\$409,954) for premiums, and \$73,370 for loss due to refunding.	688,416
5 Current year amortization of premiums on bonds \$48,458 and loss due to refunding (\$6,670) is to increase net position.	41,788
6 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(959,797)
7 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liabilities required by GASB 68 in the amount of (\$3,359,746), a Deferred Resource Inflow related to TRS in the amount of (\$403,334), and a Deferred Resource Outflow related to TRS in the amount of \$1,493,800. This amounted to a decrease in net position.	(2,269,280)
8 Property taxes levied, but not available, are not revenues in the governmental funds, but are accrued when earned (net of estimated uncollectibles) in the Statement of Activities. This amount eliminates the deferred property tax liability reported in the governmental funds.	<u>1,193,474</u>
19 Net Position of Governmental Activities (Exhibit A-1)	\$ <u><u>26,321,358</u></u>

The accompanying notes are an integral part of this statement.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017**

Data Control Codes		10 General Fund	Other Governmental Funds	98 Total Governmental Funds
Revenues:				
5700	Local and Intermediate Sources	\$ 2,365,120	\$ 432,324	\$ 2,797,444
5800	State Program Revenues	12,177,942	710,518	12,888,460
5900	Federal Program Revenues	<u>1,196,549</u>	<u>904,224</u>	<u>2,100,773</u>
5020	Total Revenues	<u>\$ 15,739,611</u>	<u>\$ 2,047,066</u>	<u>\$ 17,786,677</u>
Expenditures:				
0011	Instruction	\$ 7,036,132	\$ 799,415	\$ 7,835,547
0012	Instructional Resources and Media Services	151,861	29,699	181,560
0013	Curriculum and Staff Development	105,583	65,356	170,939
0021	Instructional Leadership	237,608	88,752	326,360
0023	School Leadership	894,061	11,246	905,307
0031	Guidance, Counseling, and Evaluation Services	309,318		309,318
0032	Social Work Services	145,770	6,000	151,770
0033	Health Services	114,914		114,914
0034	Student Transportation	544,047		544,047
0035	Food Services	1,062,357	5,415	1,067,772
0036	Extracurricular Activities	698,674		698,674
0041	General Administration	979,995	10,000	989,995
0051	Plant Maintenance and Operations	1,724,354		1,724,354
0052	Security and Monitoring Services	298,210		298,210
0053	Data Processing Services	187,125		187,125
0061	Community Services	22,190	128,696	150,886
0071	Principal on Long-Term Debt		537,700	537,700
0072	Interest on Long-Term Debt		270,596	270,596
0073	Bond Issuance Costs and Fees		111,641	111,641
0093	Payments to Fiscal Agents/Member Districts	172,772		172,772
0099	Other Intergovernmental Charges	<u>107,181</u>		<u>107,181</u>
6050	Total Expenditures	<u>\$ 14,792,152</u>	<u>\$ 2,064,516</u>	<u>\$ 16,856,668</u>
1100	Excess of Revenues Over Expenditures	<u>\$ 947,459</u>	<u>\$ (17,450)</u>	<u>\$ 930,009</u>
Other Financing Sources:				
7901	Refunding Bond Issued	\$	\$ 4,055,000	\$ 4,055,000
7912	Sale of Real and Personal Property	3,861		3,861
7916	Premium on Issuance of Bonds		409,954	409,954
8949	Payment to Bond Refunding Escrow		<u>(5,153,370)</u>	<u>(5,153,370)</u>
7080	Total Other Financing Sources	<u>\$ 3,861</u>	<u>\$ (688,416)</u>	<u>\$ (684,555)</u>
1200	Net Change in Fund Balance	<u>\$ 951,320</u>	<u>\$ (705,866)</u>	<u>\$ 245,454</u>
0100	September 1 - Fund Balance	<u>\$ 12,019,898</u>	<u>\$ 1,713,905</u>	<u>\$ 13,733,803</u>
3000	August 31 - Fund Balance	<u>\$ 12,971,218</u>	<u>\$ 1,008,039</u>	<u>\$ 13,979,257</u>

The accompanying notes are an integral part of this statement.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017**

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-3)	\$ 245,454
Amounts reported for Governmental Activities in the Statement of Activities (Exhibit B-1) 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 as depreciation expense. This is the amount by which depreciation (\$959,797) exceeds capital outlays \$16,691 in the current period.	(943,106)
Repayment of bond and other long-term debt principal \$710,000 is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	710,000
Bond issuances provide current financial resources to governmental funds but does not effect the Statement of Activities. During the year, the District issued refunding bonds for (\$4,055,000) as well as retired \$5,080,000 recognizing (\$409,954) for premiums, and \$73,370 for loss due to refunding.	688,416
Current year amortization of premiums on bonds \$48,458 and loss due to refunding (\$6,670) increases net position.	41,788
Current year accretion and premium amortization on capital appreciation bonds are not financial resources and therefore not reported in governmental funds. The net effect of including the accretion (\$94,094) and premium amortization \$9,158 is to decrease net position.	(84,936)
Current year changes due to GASB 68 required credits to expenses in the amount of \$1,219,740 and debits to expenses in the amount of (\$1,446,610) resulting in a decrease in the change in ending net position of (\$226,870).	(226,870)
Property taxes levied, but not available, are not revenues in the governmental funds, but are accrued when earned (net of estimated uncollectibles) in the Statement of Activities. This amount is the net change in deferred property taxes for the year.	<u>(43,935)</u>
Change in Net Position of Governmental Activities (Exhibit B-1)	<u>\$ 386,811</u>

The accompanying notes are an integral part of this statement.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
AUGUST 31, 2017

	Private- Purpose Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and Temporary Investments	\$ <u>27,918</u>	\$ <u>313,546</u>
Total Assets	\$ <u>27,918</u>	\$ <u>313,546</u>
LIABILITIES:		
Due to Other Funds	\$	\$ 166,345
Due to Student Groups	<u> </u>	<u>147,201</u>
Total Liabilities	\$ <u>0</u>	\$ <u>313,546</u>
NET POSITION:		
Restricted Net Position	\$ <u><u>27,918</u></u>	\$ <u><u>0</u></u>

The accompanying notes are an integral part of this statement.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED AUGUST 31, 2017

	<u>Private- Purpose Trust</u>
ADDITIONS:	
Contributions:	
Gifts and Bequests	\$ <u>6,850</u>
Total Additions	\$ <u>6,850</u>
DEDUCTIONS:	
Scholarships Paid	\$ <u>10,725</u>
Total Deductions	\$ <u>10,725</u>
Change in Net Position	\$ (3,875)
Net Position - September 1 (Beginning)	<u>31,793</u>
Net Position - August 31 (Ending)	<u><u>\$ 27,918</u></u>

The accompanying notes are an integral part of this statement.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants, as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public. The Board has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (the Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined in governmental accounting and financial reporting standards. There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities.

B. BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by taxes, state foundation funds, grants, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (i.e., internal service funds are considered governmental activities and not business-type activities). The District currently has no business-type activities.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issue costs are expensed in accordance with GASB Statements No. 63 and 65. Interest payable on capital appreciation bonds are recognized as an increase in long-term debt and an increase in interest expense as accreted.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Net Position.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds and fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. Major governmental funds are reported as separate columns in the fund financial statements.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from local sources consist primarily of property taxes. Amounts have been recorded for property tax revenues collected through August 31, 2017.

State revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

In the fund financial statements, governmental fund types recognize bond issue costs in the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The fiduciary 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. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

GOVERNMENTAL FUND TYPES

The District reports the following major governmental funds:

General Fund – This fund is established to account for resources used for general operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund, and undesignated fund balances are considered resources available for current operations.

For the year ended August 31, 2017, the District accounted for its Food Service Fund in the general fund. Students are not charged for meals, and when necessary, the general fund subsidizes the Food Service Fund for all amounts required in excess of amounts received from the National School Lunch and Breakfast Programs.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Additionally, the government reports the following fund types:

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Unused balances are returned to the grantor at the close of specified project periods.

Debt Service Fund – This fund is used to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which tax has been dedicated. This is a budgeted fund and any unused sinking fund balances will be transferred to the general fund after all of the related debt obligations have been met.

FIDUCIARY FUND TYPES

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds are scholarship funds.

Agency Funds – These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the Board. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

Capital assets, which include buildings and improvements, furniture and equipment, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' useful lives are not capitalized.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as unearned revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the District to refund all or part of the unused amount.

Supplies and materials are debited as expenditures when purchased.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

District employees earn personal days each year at the local level, and the State of Texas has a minimum leave program that allows employees to earn personal leave each year, with no limits on accumulation or transferability among Texas school districts. However, the accumulated leave does not vest, and employees receive compensation only when the absences are utilized. Additionally, vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Because these compensated absences do not vest, and because the District does not pay any amounts when employees separate from service, there is consequently no liability in the financial statements for unpaid accumulated sick leave or vacation leave.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR. Mandatory codes are utilized in the form provided in that section.

D. BUDGETARY DATA

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund and the debt service fund. The special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, and they are reflected in the official minutes of the Board. During the year, several amendments were necessary in several functions.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

E. ENCUMBRANCE ACCOUNTING

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2017.

F. FUND EQUITY

The District has adopted GASB Statement 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of restrictions by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Board of Trustees, the highest level of decision making authority.

Assigned – Amounts that can be used for a specific purpose as expressed by the authorized administrator, the Superintendent.

Unassigned – Amounts not included in other spendable classifications.

When an expenditure for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

The Board of Trustees adopted a minimum fund balance policy for the general fund. The policy requires the unassigned fund balance at fiscal year end to be at least 20% of the current fiscal expenditures less capital outlay and transfers out budgeted for the fund.

G. NET POSITION ON THE STATEMENT OF NET POSITION

Net Position on the Statement of Net Position include the following:

Net Investment in Capital Assets – This component of net position represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding any unspent bond proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Restricted for Debt Service – This component of net position represents the difference between assets and liabilities of the debt service fund that consists of assets with constraints placed on their use by creditors.

Restricted for Other Purposes – This component of net position represents gains realized from the sale of Weighted Average Daily Attendance (WADA) because of restrictions placed on the use of those funds through contractual agreements.

Unrestricted – The difference between assets and liabilities that is not reported in one of the previous categories.

H. PENSIONS

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

I. MANAGEMENT'S USE OF ESTIMATES

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

2. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (The Act) (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District's management believes it is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does not address the following risks:

- a. Custodial Credit Risk – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits are all covered by depository insurance and pledged securities held by a third party in the District's name.
- b. Concentration of Credit Risk – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2017, all of the District's investments are in external investment pools and U.S. Government Securities, and as such the District has no risk.
- c. Credit Risk – The risk that an issuer of another counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2017, the District was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The carrying amount of the District's cash and temporary investments at August 31, 2017, approximates fair value and consisted of the following shown below:

Cash in Bank	\$	1,163,723
Lonestar Investment Pools		8,740,901
Texpool		<u>4,376,593</u>
Total Cash and Investments	\$	<u>14,281,217</u>
Cash and Investments - Statement of Net Position	\$	13,939,753
Cash and Investments - Fiduciary Funds		<u>341,464</u>
Total Cash and Investments	\$	<u><u>14,281,217</u></u>

Public Funds Investment Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investment in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

3. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. An estimated amount of uncollectible taxes has been recorded in the allowance for uncollectible taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas legislature.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

4. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments consisted of the following at August 31, 2017:

Due from State - Accrued Foundation Payments	\$	426,749
Due from State - NSLP & SBP		17,298
Due from State - Other Reimbursements		<u>259,294</u>
Total Due from Other Governments	\$	<u><u>703,341</u></u>

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2017, consisted of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund		
Special Revenue Funds	\$ 570,260	\$ 545
Debt Service Funds		4,042
Agency Funds	<u>166,345</u>	
	<u>\$ 736,605</u>	<u>\$ 4,587</u>
Special Revenue Funds		
General Fund	\$ 545	\$ 570,260
Special Revenue Funds	<u>59,653</u>	<u>59,653</u>
	<u>\$ 60,198</u>	<u>\$ 629,913</u>
Debt Service Funds		
General Fund	<u>\$ 4,042</u>	<u>\$</u>
	<u>\$ 4,042</u>	<u>\$ 0</u>
Agency Funds		
General Fund	<u>\$</u>	<u>\$ 166,345</u>
	<u>\$ 0</u>	<u>\$ 166,345</u>
	<u><u>\$ 800,845</u></u>	<u><u>\$ 800,845</u></u>

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2017, was as follows:

	<u>9/1/2016</u>	Additions and Transfers	Deletions	<u>8/31/2017</u>
Capital Assets:				
Land	\$ 1,616,978	\$	\$	\$ 1,616,978
Building and Improvements	26,533,974			26,533,974
Furniture and Equipment	3,323,951	16,691		3,340,642
Vehicles	<u>2,016,067</u>		<u>543,958</u>	<u>1,472,109</u>
	<u>\$ 33,490,970</u>	<u>\$ 16,691</u>	<u>\$ 543,958</u>	<u>\$ 32,963,703</u>
Accumulated Depreciation:				
Buildings and Improvements	\$ 9,642,216	\$ 770,980	\$	\$ 10,413,196
Furniture and Equipment	2,936,795	54,730		2,991,525
Vehicles	<u>1,487,892</u>	<u>134,087</u>	<u>543,958</u>	<u>1,078,021</u>
	<u>\$ 14,066,903</u>	<u>\$ 959,797</u>	<u>\$ 543,958</u>	<u>\$ 14,482,742</u>
Total Net Value of Capital Assets	<u>\$ 19,424,067</u>	<u>\$ (943,106)</u>	<u>\$ 0</u>	<u>\$ 18,480,961</u>

Depreciation expense was charged to functions of the primary government as follows:

Instruction	\$ 480,337
Instruction Resources and Media Services	11,130
Curriculum and Instructional Staff Development	10,479
Instructional Leadership	20,007
School Leadership	55,497
Guidance, Counseling, and Evaluation Services	18,962
Social Work Services	9,304
Health Services	7,045
Student (Pupil) Transportation	33,351
Food Services	65,457
Cocurricular/Extracurricular Activities	42,830
General Administration	60,689
Plant Maintenance and Operations	105,707
Security and Monitoring Services	18,281
Data Processing Services	11,471
Community Services	<u>9,250</u>
	<u>\$ 959,797</u>

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Capital assets are being depreciated using the straight line method over the following useful lives:

Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 10 years
Vehicles	5 - 10 years

7. DEFERRED INFLOWS – UNAVAILABLE REVENUE AND UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unavailable and unearned revenue consisted of the following at August 31, 2017:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Delinquent Property Taxes	\$ 1,495,408	\$ 345,723	\$ 1,841,131
Less: Allowance for Uncollectible Taxes	<u>(505,059)</u>	<u>(142,598)</u>	<u>(647,657)</u>
Deferred Inflows - Exhibit C-1	<u>\$ 990,349</u>	<u>\$ 203,125</u>	<u>\$ 1,193,474</u>
Grant Revenue	<u>\$</u>	<u>\$ 15,385</u>	<u>\$ 15,385</u>
Unearned Revenues (Exhibits A-1 and C-1)	<u>\$ 0</u>	<u>\$ 15,385</u>	<u>\$ 15,385</u>

8. LONG-TERM OBLIGATIONS

The District's long-term liabilities consist of general obligation bonds payable. Debt service requirements for bonds are paid from fund balance and revenues of the Debt Service funds.

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>
1998A Issue Building & Refunding	\$ 15,000	\$	\$	\$ 15,000
1998A Issue Building & Refunding-FV	79,996			79,996
1998A Issue Building & Refunding-AA	152,513	13,993		166,506
1998 Issue Refunding Bonds-FV	237,267		47,700	189,567
1998 Issue Refunding-AA	813,633	80,101	172,300	721,434
2006 Refunding Bonds	5,080,000		5,080,000	0
2016 Refunding Bonds		<u>4,055,000</u>	<u>490,000</u>	<u>3,565,000</u>
Total Long-Term Liabilities	<u>\$ 6,378,409</u>	<u>\$ 4,149,094</u>	<u>\$ 5,790,000</u>	<u>\$ 4,737,503</u>

FV - Face Value of Bonds

AA- Accumulated Accretion on Bonds

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

	Interest Rate	Original Issuance	Outstanding 8/31/17	Amounts Due Within One Year
Unlimited Tax School Building and Refunding Bonds, Series 1998A	4.6 - 5.5%	\$ 4,405,000	\$ 15,000	\$
Unlimited Tax School Building and Refunding Bonds CAB, Series 1998A	4.6 - 5.5%	79,996	79,996	
Unlimited Tax, Taxable Refunding Bonds CAB, Series 1998	7.15 - 7.25%	543,878	189,567	43,958
Unlimited Tax Refunding Bonds, Series 2016	2.0 - 4.0%	<u>4,055,000</u>	<u>3,565,000</u>	<u>310,000</u>
		<u>\$ 9,083,874</u>	<u>\$ 3,849,563</u>	<u>\$ 353,958</u>

In December 2016, the District issued \$4,055,000 in Unlimited Tax Refunding Bonds, Series 2016, with an average interest rate of 3.81% and annual maturities through August 2027. The net proceeds of the bonds of \$4,353,370 (after payment of fees and issuance costs of \$111,584 plus a net reoffering premium of \$409,954) and an additional \$800,000 from the debt service fund were used to currently refund all of the outstanding Series 2006 Unlimited Refunding Bonds totaling \$5,080,000. The District completed this current refunding in order to reduce the remaining debt service payments by \$596,445 (cash flow gain) and obtain an economic gain (difference between the present value of the debt service on the old and new bonds) of \$421,264. This resulted in a loss on refunding of debt amounting to \$73,370 which is recognized as a deferred outflow of resources on the Statement of Net Position, and will be amortized over the life of the new debt. The unamortized loss on refunding at August 31, 2017 is \$66,700. Interest expenditures for this bonded debt totaled \$97,517 for the year ended August 31, 2017.

Debt interest expenditures on the 1998 Series bonds were \$173,050 during the year ended August 31, 2017 and bond premium amortization of \$9,158.

The annual debt service requirements for retirements of bond principal and interest follow:

<u>Years Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 353,958	\$ 313,192	\$ 667,150
2019	365,508	303,942	669,450
2020	378,185	297,965	676,150
2021	390,194	287,056	677,250
2022	401,719	271,031	672,750
2023-2027	1,954,999	461,955	2,416,954
2028	<u>5,000</u>	<u>125</u>	<u>5,125</u>
	\$ 3,849,563	\$ 1,935,266	\$ 5,784,829
Accreted CAB Application	<u>887,940</u>	<u>(887,940)</u>	<u>0</u>
	<u>\$ 4,737,503</u>	<u>\$ 1,047,326</u>	<u>\$ 5,784,829</u>

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

9. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, FFS revenues from local and intermediate sources consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Property Taxes, Penalties, Interest and Other Tax-Related Income	\$ 2,022,714	\$ 413,961	\$	\$ 2,436,675
Food Sales	21,250			21,250
Interest Income	77,633	15,328		92,961
Rent	121,225			121,225
Other	122,298		3,035	125,333
	<u>\$ 2,365,120</u>	<u>\$ 429,289</u>	<u>\$ 3,035</u>	<u>\$ 2,797,444</u>

10. GENERAL FUND FEDERAL SOURCED REVENUES

The District recognized revenues from certain federal programs in the general fund. These programs are reimbursement type programs. Reimbursement revenues received during the year ended August 31, 2017 are as follows:

	<u>Federal CFDA Number</u>	<u>Current Year Revenue</u>
Medicaid Administrative Claiming Program	93.778	\$ 274,961
E-Rate Federal Communications Commission	N/A	81,486
School Breakfast Program	10.553	205,902
National School Lunch Program	10.555	634,200
		<u>\$ 1,196,549</u>

11. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

The information provided in the Notes to the Financial Statements in the 2016 and 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2016 and 2015.

<u>Net Pension Liability</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability	\$ 171,797,150,487	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	<u>(134,008,637,473)</u>	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 37,788,513,014</u>	<u>\$ 35,348,668,960</u>
Net Position as Percentage of Total Pension Liability	78.00%	78.43%

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 five 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 five years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

	Contribution Rates	
	2016	2017
Member	7.20%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
2017 Employer Contributions	\$	284,679
2017 Member Contributions		755,266
2016 NECE On-Behalf Contributions		509,400

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

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

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

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instruction or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

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

Discount Rate

The discount rate used to measure the total pension liability was eight percent. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is eight percent. 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.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18.00%	4.60%	1.00%
Non-U.S. Developed	13.00%	5.10%	0.80%
Emerging Markets	9.00%	5.90%	0.70%
Directional Hedge Funds	4.00%	3.20%	0.10%
Private Equity	13.00%	7.00%	1.10%
Stable Value			
U.S. Treasuries	11.00%	0.70%	0.10%
Absolute Return	0.00%	1.80%	0.00%
Hedge Funds (Stable Value)	4.00%	3.00%	0.10%
Cash	1.00%	-0.20%	0.00%
Real Return			
Global Inflation-Linked Bonds	3.00%	0.90%	0.00%
Real Assets	16.00%	5.10%	1.10%
Energy and Natural Resources	3.00%	6.60%	0.20%
Commodities	0.00%	1.20%	0.00%
Risk Parity			
Risk Parity	5.00%	6.70%	0.30%
Inflation Expectation			2.20%
Alpha			1.00%
Total	100.00%		8.70%

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

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
PISD's Proportionate Share of the Net Pension Liability	\$ 5,199,755	\$ 3,359,746	\$ 1,799,046

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

At August 31, 2017, the District reported a liability of \$3,359,746 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 3,359,746
State's Proportionate Share that is Associated with the District	<u>6,046,496</u>
Total	<u>\$ 9,406,242</u>

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

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.008891% which was a decrease of 0.001262% from its proportion measured as of August 31, 2015.

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$627,482 and revenue of \$627,482 for support provided by the State.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 52,680	\$ 100,320
Changes in Actuarial Assumptions	102,399	93,128
Difference Between Projected and Actual Investment Earnings	284,497	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	769,545	209,886
Contributions Paid to TRS Subsequent to the Measurement Date	284,679	
Total	<u>\$ 1,493,800</u>	<u>\$ 403,334</u>

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

	Pension (Benefit) Expense
2018	\$ 146,958
2019	146,958
2020	328,423
2021	133,016
2022	74,686
Thereafter	(24,254)

12. HEALTH CARE COVERAGE

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan through TRS Active Care. The District contributed \$290 of the employee-only premium per month and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under this plan, the District is not liable for costs incurred beyond the premiums paid.

Additionally, payments made on behalf of the District by the State for Medicare Part D fringe benefits and salaries amounted to \$28,209 and \$35,752 for the years ended August 31, 2017 and 2016, respectively.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

13. JOINT VENTURE – SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for the Special Education Act with ten other school districts. A portion of the activity of the shared services arrangement is attributable to the District's participation, but the District does not account for revenues or expenditures in this program and does not disclose them as such in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Alpine ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal manager is responsible for all financial activities of the shared services arrangement. The District's contribution to the shared services arrangement for the year ended August 31, 2017, was \$172,772.

14. RISK MANAGEMENT

The District's risk management program includes coverage, through various third party insurance providers, to protect the District against losses related to torts; errors and omissions; theft and damage or destruction of property; employee health; and natural disasters. For the year ended August 31, 2017, there were no significant reductions in insurance coverage from the previous year. Additionally, there have been no claim settlements in excess of insurance coverage during the last three years.

15. RELATED PARTY TRANSACTIONS

The District's Depository Contract is with First Presidio Bank (dba Big Bend Banks), where Board Member Ethel Barriga is employed as Vice-President. This Depository Contract was approved by the Board and the Texas Education Agency prior to Ms. Barriga's election to the Board and was subject to state purchasing guidelines for competitive procurement.

16. LITIGATION

Management represents there is no litigation pending against the District which would have a material effect on the financial statements.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

17. COMMITMENTS AND CONTINGENCIES

Federal and State Funding

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

18. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through December 12, 2017, the date which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended	Actual		
Revenues:					
5700	Local and Intermediate Sources	\$ 2,350,492	\$ 2,491,462	\$ 2,365,120	\$ (126,342)
5800	State Program Revenues	12,891,289	12,891,289	12,177,942	(713,347)
5900	Federal Program Revenues	1,165,100	1,235,100	1,196,549	(38,551)
5020	Total Revenues	\$ 16,406,881	\$ 16,617,851	\$ 15,739,611	\$ (878,240)
Expenditures:					
0011	Instruction	\$ 9,591,728	\$ 9,633,554	\$ 7,036,132	\$ 2,597,422
0012	Instructional Resources and Media Services	215,620	215,620	151,861	63,759
0013	Curriculum and Instructional Staff Development	192,850	174,174	105,583	68,591
0021	Instructional Leadership	251,000	274,850	237,608	37,242
0023	School Leadership	1,204,205	1,196,705	894,061	302,644
0031	Guidance, Counseling, and Evaluation Services	274,720	351,220	309,318	41,902
0032	Social Work Services	179,820	179,820	145,770	34,050
0033	Health Services	243,700	243,700	114,914	128,786
0034	Student Transportation	735,630	734,630	544,047	190,583
0035	Food Services	1,411,535	1,411,535	1,062,357	349,178
0036	Extracurricular Activities	872,559	872,559	698,674	173,885
0041	General Administration	1,114,600	1,155,336	979,995	175,341
0051	Plant Maintenance and Operations	1,878,835	1,879,705	1,724,354	155,351
0052	Security and Monitoring Services	361,905	361,905	298,210	63,695
0053	Data Processing Services	250,155	250,155	187,125	63,030
0061	Community Services	2,790	22,790	22,190	600
0081	Facilities Acquisition and Construction	64,500	84,500		84,500
0093	Payments to Fiscal Agents/Member Districts	195,000	195,000	172,772	22,228
0099	Other Intergovernmental Charges	125,000	125,000	107,181	17,819
6030	Total Expenditures	\$ 19,166,152	\$ 19,362,758	\$ 14,792,152	\$ 4,570,606
1100	Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (2,759,271)	\$ (2,744,907)	\$ 947,459	\$ 3,692,366
Other Financing Sources (Uses):					
7912	Sale of Real and Personal Property	\$	\$ 3,865	\$ 3,861	\$ (4)
7915	Transfers In	320,310	320,310		(320,310)
8911	Transfers Out (Use)	(335,310)	(335,310)		335,310
7080	Total Other Financing Sources	\$ (15,000)	\$ (11,135)	\$ 3,861	\$ 14,996
1200	Net Change in Fund Balance	\$ (2,774,271)	\$ (2,756,042)	\$ 951,320	\$ 3,707,362
0100	September 1 - Fund Balance	12,019,898	12,019,898	12,019,898	0
3000	August 31 - Fund Balance	\$ 9,245,627	\$ 9,263,856	\$ 12,971,218	\$ 3,707,362

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31

	August 31,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.008891%	0.010153%	0.006096%
District's Proportionate Share of the Net Pension Liability	\$ 3,359,746	\$ 3,588,915	\$ 1,628,219
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>6,046,496</u>	<u>6,525,986</u>	<u>5,953,992</u>
Total	<u>\$ 9,406,242</u>	<u>\$ 10,114,901</u>	<u>\$ 7,582,211</u>
District's Covered-Employee Payroll	\$ 9,609,756	\$ 10,342,813	\$ 10,480,014
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	34.96%	34.70%	15.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016 for Year 2017, August 31, 2015 for 2016, and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit G-3

**SCHEDULES OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31**

	August 31,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 282,487	\$ 300,631	\$ 154,541
Contribution in Relation to the Contractually Required Contribution	<u>(282,487)</u>	<u>(300,631)</u>	<u>(154,541)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered-Employee Payroll	\$ 9,808,652	\$ 9,609,756	\$ 10,342,813
Contributions as a Percentage of Covered-Employee Payroll	2.88%	3.13%	1.49%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

CHANGES OF BENEFIT TERMS

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

CHANGES OF ASSUMPTIONS

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

OTHER SUPPLEMENTARY INFORMATION
EXHIBITS H-1 THROUGH J-2

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit H-1
(Continued)

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

	Special Revenue Funds					
	211	212	220	244	255	263
	ESEA Title I Part A Improving Basic	ESEA Title I, Part C Migrant	Adult Education	Vocational Education Basic Grant	ESEA II, Training and Recruitment	English Language Acquisition & Enhancement
ASSETS:						
Cash and Temporary Investments	\$ 113,502	\$ 21,070	\$ 38,990	\$ 2,643	\$ 137,077	\$ 45,544
Property Taxes - Delinquent						
Allowance for Uncollectible Taxes						
Due from Other Governments	98,923	4,844	8,964		31,513	10,470
Due from Other Funds	59,653					
Total Assets	\$ 272,078	\$ 25,914	\$ 47,954	\$ 2,643	\$ 168,590	\$ 56,014
LIABILITIES:						
Accounts Payable	\$	\$	\$	\$	\$	\$
Accrued Wages Payable	20,458	1,090	1,084			4,471
Due to Other Funds	249,131	24,691	46,738	2,643	168,590	50,999
Accrued Expenditures	2,489	133	132			544
Unearned Revenues						
Total Liabilities	\$ 272,078	\$ 25,914	\$ 47,954	\$ 2,643	\$ 168,590	\$ 56,014
DEFERRED INFLOWS OF RESOURCES:						
Unavailable Revenue - Property Taxes	\$	\$	\$	\$	\$	\$
Total Deferred Inflows	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
FUND BALANCE:						
Restricted for:						
Retirement of Long-Term Debt	\$	\$	\$	\$	\$	\$
Total Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 272,078	\$ 25,914	\$ 47,954	\$ 2,643	\$ 168,590	\$ 56,014

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit H-1
(Concluded)

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

	Special Revenue Funds						Total Nonmajor Governmental August 31, 2017
	289 Other Federal Special Revenues	410 State Textbook Fund	429 Other State Special Revenue Funds	499 Misc. Funds	Total Special Revenue Funds	599 Debt Service Fund	
ASSETS:							
Cash and Temporary Investments	\$ 10,753	\$ 4,864	\$ 21,205	\$ 54,378	\$ 450,026	\$ 1,003,997	\$ 1,454,023
Property Taxes - Delinquent					0	345,723	345,723
Allowance for Uncollectible Taxes					0	(142,598)	(142,598)
Due from Other Governments	1,637		4,794	9,045	170,190		170,190
Due from Other Funds		545			60,198	4,042	64,240
Total Assets	<u>\$ 12,390</u>	<u>\$ 5,409</u>	<u>\$ 25,999</u>	<u>\$ 63,423</u>	<u>\$ 680,414</u>	<u>\$ 1,211,164</u>	<u>\$ 1,891,578</u>
LIABILITIES:							
Accounts Payable	\$ 1,647			\$ 3,068	\$ 4,715		\$ 4,715
Accrued Wages Payable					27,103		27,103
Due to Other Funds	10,743	5,409	25,649	45,320	629,913		629,913
Accrued Expenditures					3,298		3,298
Unearned Revenues			350	15,035	15,385		15,385
Total Liabilities	<u>\$ 12,390</u>	<u>\$ 5,409</u>	<u>\$ 25,999</u>	<u>\$ 63,423</u>	<u>\$ 680,414</u>	<u>\$ 0</u>	<u>\$ 680,414</u>
DEFERRED INFLOWS OF RESOURCES:							
Unavailable Revenue - Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 203,125	\$ 203,125
Total Deferred Inflows	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 203,125</u>	<u>\$ 203,125</u>
FUND BALANCE:							
Restricted for:							
Retirement of Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,008,039	\$ 1,008,039
Total Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,008,039</u>	<u>\$ 1,008,039</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 12,390</u>	<u>\$ 5,409</u>	<u>\$ 25,999</u>	<u>\$ 63,423</u>	<u>\$ 680,414</u>	<u>\$ 1,211,164</u>	<u>\$ 1,891,578</u>

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit H-2
(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Special Revenue Funds						
	211	212	220	242	244	255	263
	ESEA Title I, Part A, Improving Basic Programs	ESEA Title I, Part C, Migrant Children	Adult Education	Summer Feeding Program	Vocational Education Basic Grant	ESEA Title II, Part A, Teacher & Principal Training	English Language Acquisition & Enhancement
REVENUES:							
Local and Intermediate Sources	\$	\$	\$	\$	\$	\$	\$
State Program Revenues							
Federal Program Revenues	570,007	44,739	41,875	5,415	16,405	107,607	81,772
Total Revenues	\$ 570,007	\$ 44,739	\$ 41,875	\$ 5,415	\$ 16,405	\$ 107,607	\$ 81,772
EXPENDITURES:							
Instruction	\$ 329,595	\$ 9,384	\$ 15,104	\$	\$ 16,405	\$ 103,269	\$ 80,072
Instructional Resources and Media Services	29,699						
Curriculum and Instructional Staff Development	34,545					4,138	1,500
Instructional Leadership	28,052	33,929	26,771				
School Leadership	11,246						
Social Work Services							
Food Services				5,415			
General Administration	8,600	1,000				200	200
Community Services	128,270	426					
Debt Service - Principal of Long-Term Debt							
Debt Service - Interest on Long-Term Debt							
Debt Service - Bond Issuance Cost							
Total Expenditures	\$ 570,007	\$ 44,739	\$ 41,875	\$ 5,415	\$ 16,405	\$ 107,607	\$ 81,772
Excess of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
OTHER FINANCIING SOURCES (USES):							
Refunding Bond Issued	\$	\$	\$	\$	\$	\$	\$
Premium on Issuance of Bonds							
Payment to Bond Refunding Escrow Agent	0	0	0	0	0	0	0
Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance - September 1 (Beginning)							
Fund Balance - August 31 (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit H-2
(Concluded)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Special Revenue Funds					Total Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
	289 Other Federal Special Revenues	381 Adult Basic Education State	410 State Textbook Fund	429 Other State Special Revenue Funds	499 Misc. Funds			
REVENUES:								
Local and Intermediate Sources	\$	\$	\$	\$	\$	\$	\$	\$
State Program Revenues	55,037	10,200	22,596	51,008	98,479	237,320	473,198	710,518
Federal Program Revenues	36,404					904,224		904,224
Total Revenues	\$ 91,441	\$ 10,200	\$ 22,596	\$ 51,008	\$ 101,514	\$ 1,144,579	\$ 902,487	\$ 2,047,066
EXPENDITURES:								
Instruction	\$ 85,441	\$ 10,200	\$ 22,596	\$ 25,835	\$ 101,514	\$ 799,415	\$	\$ 799,415
Instructional Resources and Media Services						29,699		29,699
Curriculum and Instructional Staff Development				25,173		65,356		65,356
Instructional Leadership						88,752		88,752
School Leadership						11,246		11,246
Social Work Services	6,000					6,000		6,000
Food Services						5,415		5,415
General Administration						10,000		10,000
Community Services						128,696		128,696
Debt Service - Principal of Long-Term Debt						0	537,700	537,700
Debt Service - Interest on Long-Term Debt						0	270,596	270,596
Debt Service - Bond Issuance Cost						0	111,641	111,641
Total Expenditures	\$ 91,441	\$ 10,200	\$ 22,596	\$ 51,008	\$ 101,514	\$ 1,144,579	\$ 919,937	\$ 2,064,516
Excess of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (17,450)	\$ (17,450)
OTHER FINANCING SOURCES (USES):								
Refunding Bond Issued	\$	\$	\$	\$	\$	\$ 0	\$ 4,055,000	\$ 4,055,000
Premium on Issuance of Bonds						0	409,954	409,954
Payment to Bond Refunding Escrow Agent						0	(5,153,370)	(5,153,370)
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (688,416)	\$ (688,416)
Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (705,866)	\$ (705,866)
Fund Balance - September 1 (Beginning)						0	1,713,905	1,713,905
Fund Balance - August 31 (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,008,039	\$ 1,008,039

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit J-1

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2017

Last Ten Years Ended August 31,	1		3 Assessed/ Appraised Value for School Tax Purposes	10 Beginning Balance 9/1/2016	20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2017
	Tax Rates								
	Maintenance	Debt Service							
2008 and Prior Years	Various	Various	\$ Various	\$ 680,583	\$	\$ 8,459	\$ 1,647	\$ (22,820)	\$ 647,657
2009	1.17000	0.23292	81,473,182	78,792		2,298	458	(1,401)	74,635
2010	1.17000	0.24141	81,724,425	86,406		2,155	445	(1,511)	82,295
2011	1.17000	0.24140	89,562,549	91,757		3,672	758	(1,512)	85,815
2012	1.17000	0.24140	130,082,063	94,657		2,395	494	(1,492)	90,276
2013	1.17000	0.24140	148,534,009	104,229		5,054	1,043	(1,360)	96,772
2014	1.17000	0.24000	149,961,801	127,212		19,604	4,021	(1,346)	102,241
2015	1.17000	0.24000	189,099,240	321,112		123,335	25,299	(1,967)	170,511
2016	1.17000	0.24000	179,252,414	263,279		44,337	9,095	(3,304)	206,543
2017 (School Year Under Audit)	1.17000	0.24000	169,778,391		2,393,875	1,706,238	349,997	(53,254)	284,386
1000	TOTALS			\$ 1,848,027	\$ 2,393,875	\$ 1,917,547	\$ 393,257	\$ (89,967)	\$ 1,841,131

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1		2	3	Variance With Final Budget Favorable (Unfavorable)
	Budgeted Amounts		Amended	Actual	
	Original				
Revenues:					
5700 Local and Intermediate Sources	\$ 406,398	\$ 406,398	\$ 429,289	\$ 22,891	
5800 State Program Revenues	<u>476,566</u>	<u>476,566</u>	<u>473,198</u>	<u>(3,368)</u>	
5020 Total Revenues	\$ <u>882,964</u>	\$ <u>882,964</u>	\$ <u>902,487</u>	\$ <u>19,523</u>	
Expenditures:					
0071 Principal on Long-Term Debt	\$ 537,701	\$ 537,701	\$ 537,700	\$ 1	
0072 Interest on Long-Term Debt	273,228	273,228	270,596	2,632	
0073 Issuance Cost and Fees	<u>2,000</u>	<u>111,641</u>	<u>111,641</u>	<u>0</u>	
6030 Total Expenditures	\$ <u>812,929</u>	\$ <u>922,570</u>	\$ <u>919,937</u>	\$ <u>2,633</u>	
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>70,035</u>	\$ <u>(39,606)</u>	\$ <u>(17,450)</u>	\$ <u>22,156</u>	
Other Financing Sources (Uses):					
7901 Refunding Bond Issued	\$	\$ 4,055,000	\$ 4,055,000	\$ 0	
7916 Premium on Issuance of Bonds		409,954	409,954	0	
8949 Payment to Bond Refunding Escrow		<u>(5,153,370)</u>	<u>(5,153,370)</u>	<u>0</u>	
7080 Total Other Financing Sources	\$ <u>0</u>	\$ <u>(688,416)</u>	\$ <u>(688,416)</u>	\$ <u>0</u>	
1200 Net Change in Fund Balance	\$ 70,035	\$ (728,022)	\$ (705,866)	\$ 22,156	
0100 September 1 - Fund Balance	<u>1,713,905</u>	<u>1,713,905</u>	<u>1,713,905</u>	<u>0</u>	
3000 August 31 - Fund Balance	\$ <u><u>1,783,940</u></u>	\$ <u><u>985,883</u></u>	\$ <u><u>1,008,039</u></u>	\$ <u><u>22,156</u></u>	

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**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**

Independent Auditor's Report

Board of School Trustees
Presidio Independent School District
Presidio, Texas

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 Presidio Independent School District (the District) as of and for the year ended August 31, 2017, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

December 12, 2017

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

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

Independent Auditor's Report

Board of School Trustees
Presidio Independent School District
Presidio, Texas

Report on Compliance for Each Major Federal Program

We have audited Presidio Independent School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2017. Presidio Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Presidio Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and 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 on Presidio Independent School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

Management of Presidio Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

December 12, 2017

FEDERAL FINANCIAL ASSISTANCE SECTION

PRESIDIO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED AUGUST 31, 2017

Section I - Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued Unmodified
Internal control over financial reporting
Material weakness(es) identified? yes X no
Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported
Noncompliance material to financial statements noted? yes X no

2. Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes X no
Significant deficiency identified that are not considered to be material weaknesses? yes X none reported
Type of auditor's report issued on compliance for major programs. Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

Table with 2 columns: CFDA Number(s) and Name of Federal Program or Cluster. Rows include 10.555 National School Lunch Program, 10.553 School Breakfast Program, and 10.559 Summer Feeding Program.

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
Auditee qualified as low-risk auditee? X yes no

Section II - Findings Related to the Financial Statements

The audit disclosed no findings required to be reported.

Section III - Findings and Questioned Costs Related to the Federal Awards

The audit disclosed no findings required to be reported.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017**

Prior Year's Finding/Noncompliance –

N/A

Status of Prior Year Findings –

N/A

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

2a Project / Pass-Through Entity ID Number	1 Federal Grantor/ Pass-Through Grantor/Program Title	2 Federal CFDA Number	3 Federal Expenditures
U.S. Department of Education:			
Texas Department of Education:			
17610101189902	ESEA Title I Part A, Improving Basic Programs	84.010A	\$ 547,061
18610101189902	ESEA Title I Part A, Improving Basic Programs	84.010A	22,947
			<u>\$ 570,008</u>
17615001189902	ESEA Title I, Part C, Migrant Education Programs	84.011A	\$ 43,516
18615001189902	ESEA Title I, Part C, Migrant Education Programs	84.011A	1,223
			<u>\$ 44,739</u>
17420006189902	Title I, Part C, Carl Perkins Vocational Education - Basic	84.048A	\$ 16,405
17671001189902	Title III, Part A, English Language Acquisition and Language Enhancement	84.365A	\$ 76,756
18671001189902	Title III, Part A, English Language Acquisition and Language Enhancement	84.365A	5,015
			<u>\$ 81,771</u>
17694501189902	Title II, Part A Teacher/Principal Training & Recruiting	84.367A	\$ 107,607
	Total Passed Through Texas Education Agency		<u>\$ 820,530</u>
S041B-2015-7186	Title VIII, Impact Aid Section 8003 Payments	84.041	\$ 829
1014AEL000	Passed Through Socorro ISD: Adult Education - English Literacy	84.002A	\$ 41,875
	TOTAL DEPARTMENT OF EDUCATION		<u>\$ 863,234</u>
U.S. Department of Agriculture:			
Texas Department of Agriculture:			
	<i>Child Nutrition Cluster</i>		
	School Breakfast Program	10.553	\$ 205,902
	National School Lunch Program - Cash Assistance	10.555	608,242
	National School Lunch Program - Non-Cash Assistance	10.555	25,958
	Summer Feeding Program	10.559	5,415
	<i>Total Child Nutrition Cluster</i>		<u>\$ 845,517</u>
U.S. Department of Justice			
	Motivational Behavioral School	16.540	\$ 6,000
	Total Passed Through Rio Grande Council of Governments		<u>\$ 6,000</u>
Texas Workforce Commission			
1017ATP001	WIA Dislocated Worker Formula Grant	17.278	\$ 27,877
1017ATP001	Temporary Assistance for Needy Families	93.558	1,698
	Total Passed Through Texas Workforce Commission		<u>\$ 29,575</u>
	Expenditures of Federal Awards		<u>\$ 1,744,326</u>
	Total Federal Revenues Per Exhibit C-2		\$ 2,100,773
	Less: ERATE		(81,486)
	Less: School Health and Related Services (SHARS) Funds		(274,961)
			<u>\$ 1,744,326</u>

PRESIDIO INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Presidio Independent School District under programs of the federal government for the year ended August 31, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Summary of Significant Accounting Policies

- (A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
- (B) Presidio Independent School District has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.