

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED AUGUST 31, 2018**

**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, 2018**

PRESIDIO INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2018

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PRESIDIO INDEPENDENT SCHOOL DISTRICT

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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, 2018, at a meeting of the Board of Trustees of such school district on the 18th day of December, 2018.

  
\_\_\_\_\_  
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**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**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, 2018, 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, 2018, 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 47, and the pension and other post-employment benefit (OPEB) related information on pages 48-53, 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 other supplementary information comprised of combining balance sheet and statement of revenues, expenditures and changes in fund balance for all nonmajor 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.

The other supplementary information and the schedule of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such other supplementary information and the schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are 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 10, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

December 10, 2018

# **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, 2018. 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 \$1,509,310 for the year ended August 31, 2018. During the current year, GASB 75 was implemented which resulted in a prior period adjustment of (\$9,315,913) to beginning net position. During the current year, there were also changes in assumptions that decreased the OPEB liability. The liability decrease is the main reason for the increase in net position in the current year. The District's statement of activities showed total revenues were \$14,265,061 and total expenses were \$12,755,751.
- The District ended the year, August 31, 2018, with total net position of \$18,514,755 including unrestricted (deficit) of (\$1,435,923). The balance of cash and investments at August 31, 2018, was \$15,051,424, which does not include the fiduciary cash and investment accounts since these funds are not for District operations.
- Total general fund expenditures were \$15,333,137 for the year ended August 31, 2018, and this compares with general fund expenditures of \$14,792,152 for the year ended August 31, 2017.
- The District's total revenues on the fund financial statements decreased from \$17,786,677 in 2016-17 to \$16,957,531 in 2017-18.

## **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. In the tables below, the amounts presented for August 31, 2018 have been restated to reflect the adoption of GASB 75 and record the OPEB liability at that point in time.

**Table I**  
**Presidio Independent School District**  
**Net Position**  
**August 31, 2018 and 2017**

	August 31,	
	<u>2018</u>	<u>2017</u>
Cash and Temporary Investments	\$ 15,051,424	\$ 13,939,753
Receivables	2,283,457	2,095,608
Capital Assets	17,602,214	18,480,961
Total Assets	<u>\$ 34,937,095</u>	<u>\$ 34,516,322</u>
Deferred Outflows of Resources	<u>\$ 1,193,150</u>	<u>\$ 1,560,500</u>
Total Deferred Outflows	<u>\$ 1,193,150</u>	<u>\$ 1,560,500</u>
Current Liabilities	\$ 2,402,175	\$ 1,216,588
Long-Term Liabilities	12,327,854	8,135,542
Total Liabilities	<u>\$ 14,730,029</u>	<u>\$ 9,352,130</u>
Deferred Inflows of Resources	<u>\$ 2,885,461</u>	<u>\$ 403,334</u>
Total Deferred Inflows	<u>\$ 2,885,461</u>	<u>\$ 403,334</u>
Net Position		
Net Investment in Capital Assets	\$ 13,055,433	\$ 13,417,907
Restricted for Debt Service	1,276,230	1,211,164
Restricted for Other Purposes	5,619,015	5,538,231
Unrestricted Net Position (Deficit)	<u>(1,435,923)</u>	<u>6,154,056</u>
Total Net Position	<u>\$ 18,514,755</u>	<u>\$ 26,321,358</u>

## Changes in Net Position

The District's net position increased during the year ended August 31, 2018. The net position increased by \$1,509,310 (see Table II). Unrestricted (deficit) – 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 – increased \$1,725,934 from (\$3,161,857), including prior period adjustment in 2017 to (\$1,435,923) in 2018. This increase is related to changes in GASB 75 OPEB amounts.

**Table II**  
**Presidio Independent School District**  
**Changes in Net Position**  
**For the Years Ended August 31, 2018 and 2017**

	August 31,	
	2018	2017
Revenues:		
Program Revenues:		
Charges for Services	\$ 197,453	\$ 142,840
Operating Grants and Contributions	77,103	3,111,293
General Revenues:		
Maintenance and Operations Taxes	1,877,011	1,984,577
Debt Service Taxes	305,368	408,163
State Formula Aid	11,284,505	11,519,825
Investment Earnings	209,522	92,961
Miscellaneous	314,099	465,915
Total Revenues	<u>\$ 14,265,061</u>	<u>\$ 17,725,574</u>
Expenses:		
Instruction and Instructional-Related Services	\$ 6,396,204	\$ 8,780,767
Instructional and School Leadership	807,767	1,321,745
Student Support Services	411,726	620,180
Student Transportation	437,183	584,241
Food Services	716,606	1,159,245
Extracurricular Activities	598,792	753,213
General Administration	863,564	1,060,681
Plant Maintenance and Operations	1,549,608	1,844,039
Security and Data Processing Services	518,837	521,478
Community Services	60,245	160,136
Debt Service	151,947	253,085
Payments to Member Districts/Fiscal Agents	147,922	172,772
Other Intergovernmental Charges	95,350	107,181
Total Expenses	<u>\$ 12,755,751</u>	<u>\$ 17,338,763</u>
Change in Net Position	<u>\$ 1,509,310</u>	<u>\$ 386,811</u>

The District's total government-wide financial revenues decreased from \$17,725,574 in fiscal year 2017 to \$14,265,061 in fiscal year 2018, a decrease of \$3,460,513. The total expenses of the District decreased by \$4,583,012 from \$17,338,763 to \$12,755,751. Decreases in revenues and expenses was attributable to the implementation of GASB 75.

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

- The District's total property tax rate decreased 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 \$0.19. The District appraised valuation of taxable property decreased from \$169,778,391 to \$168,514,857 a decrease of \$1,263,534 or 0.74%. The total school property taxes assessed for school year 2018 were \$2,290,162. This is a decrease of \$103,713 from the \$2,393,875 assessed in 2017.
- The District's average daily attendance (ADA) is the basis for most of the State funding received. The ADA went from 1,239.4 in 2017 to 1,130.1 in 2018 resulting in a decline in state revenue.

### **Fund Balances**

The District's total Governmental Funds fund balance was \$14,028,793. This fund balance is reported in the various Governmental funds as follows:

General Fund – Unassigned \$7,341,956. 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 \$5,619,015. 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 \$1,067,822. 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, 2018.

### **Debt**

Financial statement footnote no. 9 discloses the debt activity of the District for the year ended August 31, 2018.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District has budgeted \$15,413,716 in general fund revenues for fiscal year 2018-2019. This is up \$90,826 from the \$15,322,890 actual general fund revenue for the 2017-2018 fiscal year. This increase is attributable to increase in earnings from temporary deposits and investments.

The District also budgeted \$17,100,705 in general fund expenditures for 2018-2019. This is up \$1,767,568 from the actual 2017-2018 general fund expenditures of \$15,333,137. This increase is attributable to increases in payroll, co-curricular activities travel, and capital outlay expenditures.

#### **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, 2018

<u>Data Control Codes</u>		<u>Primary Government</u>
		<u>Governmental Activities</u>
	ASSETS AND OTHER DEBITS:	
1110	Cash and Temporary Investments	\$ 15,051,424
1220	Property Taxes - Delinquent	1,919,798
1230	Allowance for Uncollectible Taxes	(650,377)
1240	Due from Other Governments	898,467
1260	Due from Fiduciary Funds	83,200
1290	Other Receivables	32,369
	Capital Assets:	
1510	Land	1,616,978
1520	Buildings and Improvements, Net	15,353,155
1530	Furniture and Equipment, Net	296,911
1540	Vehicles, Net	<u>335,170</u>
1000	Total Assets	<u>\$ 34,937,095</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1701	Deferred Charge for Refunding	\$ 60,030
1703	Deferred Outflow Related to TRS OPEB Liability	84,448
1705	Deferred Outflow Related to TRS Pension Liability	<u>1,048,672</u>
1700	Total Deferred Outflows of Resources	<u>\$ 1,193,150</u>
	LIABILITIES:	
2110	Accounts Payable	\$ 86,877
2160	Accrued Wages Payable	653,757
2177	Due to Fiduciary Funds	8,992
2180	Due to Other Governments	20,015
2200	Accrued Expenses	34,828
2300	Unearned Revenues	1,232,198
2501	Due within One Year	365,508
2502	Due in More than One Year	3,925,052
2516	Unamortized Bond Premium	316,251
2540	Net Pension Liability (District's Share)	2,773,779
2545	Net OPEB Liability (District's Share)	<u>5,312,772</u>
2000	Total Liabilities	<u>\$ 14,730,029</u>
	DEFERRED INFLOWS OF RESOURCES:	
2603	Deferred Inflow Related to TRS OPEB Liability	\$ 2,222,342
2605	Deferred Inflow Related to TRS Pension Liability	<u>663,119</u>
2600	Total Deferred Inflows of Resources	<u>\$ 2,885,461</u>
	NET POSITION:	
3200	Net Investment in Capital Assets	\$ 13,055,433
3850	Restricted for Debt Service	1,276,230
3890	Restricted for Other Purposes	5,619,015
3900	Unrestricted (Deficit)	<u>(1,435,923)</u>
3000	Total Net Position	<u>\$ 18,514,755</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, 2018

Data Control Codes	1	Program Revenues		6	
		Expenses	3		4
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities	
11	Instruction	\$ 6,080,581	\$ 57,947	\$ (590,181)	\$ (6,612,815)
12	Instructional Resources and Media Services	134,010		15,039	(118,971)
13	Curriculum and Staff Development	181,613		59,258	(122,355)
21	Instructional Leadership	132,928		15,964	(116,964)
23	School Leadership	674,839		(122,576)	(797,415)
31	Guidance, Counseling, and Evaluation Services	215,284		(57,437)	(272,721)
32	Social Work Services	101,105		(24,348)	(125,453)
33	Health Services	95,337		(17,897)	(113,234)
34	Student Transportation	437,183		(77,415)	(514,598)
35	Food Services	716,606	23,815	770,315	77,524
36	Extracurricular Activities	598,792	265	(78,247)	(676,774)
41	General Administration	863,564		(106,124)	(969,688)
51	Plant Maintenance and Operations	1,549,608	115,426	(162,948)	(1,597,130)
52	Security and Monitoring Services	293,423		(47,656)	(341,079)
53	Data Processing Services	225,414		(41,413)	(266,827)
61	Community Services	60,245		126,486	66,241
72	Interest on Long-Term Debt	150,877		416,283	265,406
73	Issuance Costs and Fees	1,070			(1,070)
93	Payments to Fiscal Agent/Member Districts	147,922			(147,922)
99	Other Intergovernmental Charges	95,350			(95,350)
	TP Total Primary Government	\$ <u>12,755,751</u>	\$ <u>197,453</u>	\$ <u>77,103</u>	\$ <u>(12,481,195)</u>

Data Control Codes

General Revenues:

MT	Property Taxes, Levied for General Purposes	\$ 1,877,011
DT	Property Taxes, Levied for Debt Service	305,368
SF	State Aid Formula Grants	11,284,505
GC	Grants and Contributions not Restricted	272,389
IE	Investment Earnings	209,522
MI	Miscellaneous Local and Intermediate Revenue	41,710
TR	Total General Revenues, Special Items, and Transfers	\$ <u>13,990,505</u>
CN	Change in Net Position	\$ 1,509,310
NB	Net Position - Beginning	26,321,358
PA	Prior Period Adjustment Required by GASB 75	(9,315,913)
NE	Net Position - Ending	\$ <u>18,514,755</u>

The accompanying notes are an integral part of this statement.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2018

Data Control Codes	10	Other Governmental Funds	98 Total Governmental Funds	
	General Fund			
<b>ASSETS:</b>				
1110	Cash and Temporary Investments	\$ 13,615,654	\$ 1,435,770	\$ 15,051,424
1220	Property Taxes - Delinquent	1,578,824	340,974	1,919,798
1230	Allowance for Uncollectible Taxes	(517,811)	(132,566)	(650,377)
1240	Receivables from Other Governments	679,677	218,790	898,467
1260	Due from Other Funds	641,934	68,880	710,814
1290	Other Receivables	32,369		32,369
1000	Total Assets	<u>\$ 16,030,647</u>	<u>\$ 1,931,848</u>	<u>\$ 17,962,495</u>
<b>LIABILITIES:</b>				
2110	Accounts Payable	\$ 84,814	\$ 2,063	\$ 86,877
2160	Accrued Wages Payable	628,976	24,781	653,757
2170	Due to Other Funds	14,568	622,038	636,606
2180	Due to Other Governments	17,213	2,802	20,015
2200	Accrued Expenditures	31,810	3,018	34,828
2300	Unearned Revenue	1,231,282	916	1,232,198
2000	Total Liabilities	<u>\$ 2,008,663</u>	<u>\$ 655,618</u>	<u>\$ 2,664,281</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
2601	Unavailable Revenue - Property Taxes	\$ 1,061,013	\$ 208,408	\$ 1,269,421
2600	Total Deferred Inflows	<u>\$ 1,061,013</u>	<u>\$ 208,408</u>	<u>\$ 1,269,421</u>
<b>FUND BALANCES:</b>				
Restricted for:				
3480	Retirement of Long-Term Debt	\$	\$ 1,067,822	\$ 1,067,822
3490	Other Purposes	5,619,015		5,619,015
3600	Unassigned	7,341,956		7,341,956
3000	Total Fund Balances	<u>\$ 12,960,971</u>	<u>\$ 1,067,822</u>	<u>\$ 14,028,793</u>
4000	Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 16,030,647</u>	<u>\$ 1,931,848</u>	<u>\$ 17,962,495</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, 2018**

Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 14,028,793
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 \$32,963,703, and the accumulated depreciation was (\$14,482,742). In addition, bonds payable are not due and payable in the current period and therefore are not reported as liabilities in these funds. The beginning long-term debt was (\$5,063,054). 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.	13,417,907
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 2018 capital outlays \$56,473 and debt principal payments \$530,000 is to increase net position.	586,473
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.	(74,816)
4 Current year amortization of premiums on bonds \$67,759 and loss due to refunding (\$6,670) is to increase net position.	61,089
5 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(935,220)
6 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 (\$2,773,779), a Deferred Resource Inflow related to TRS in the amount of (\$663,119), and a Deferred Resource Outflow related to TRS in the amount of \$1,048,672. This amounted to a decrease in net position.	(2,388,226)
7 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liabilities required by GASB 75 in the amount of (\$5,312,772), a Deferred Resource Inflow related to TRS in the amount of (\$2,222,342), and a Deferred Resource Outflow related to TRS in the amount of \$84,448. This amounted to a decrease in net position.	(7,450,666)
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>1,269,421</u>
19 Net Position of Governmental Activities (Exhibit A-1)	<u>\$ 18,514,755</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, 2018

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
Revenues:			
5700 Local and Intermediate Sources	\$ 2,243,229	\$ 326,008	\$ 2,569,237
5800 State Program Revenues	11,977,896	496,900	12,474,796
5900 Federal Program Revenues	<u>1,101,765</u>	<u>811,733</u>	<u>1,913,498</u>
5020 Total Revenues	<u>\$ 15,322,890</u>	<u>\$ 1,634,641</u>	<u>\$ 16,957,531</u>
Expenditures:			
0011 Instruction	\$ 7,509,236	\$ 616,459	\$ 8,125,695
0012 Instructional Resources and Media Services	142,884	30,646	173,530
0013 Curriculum and Staff Development	112,324	59,258	171,582
0021 Instructional Leadership	193,215	49,053	242,268
0023 School Leadership	825,935		825,935
0031 Guidance, Counseling, and Evaluation Services	326,036		326,036
0032 Social Work Services	135,613		135,613
0033 Health Services	113,201		113,201
0034 Student Transportation	512,973		512,973
0035 Food Services	1,080,811	14,179	1,094,990
0036 Extracurricular Activities	702,321		702,321
0041 General Administration	1,018,971	10,000	1,028,971
0051 Plant Maintenance and Operations	1,708,091		1,708,091
0052 Security and Monitoring Services	377,633		377,633
0053 Data Processing Services	283,784		283,784
0061 Community Services	46,837	127,043	173,880
0071 Principal on Long-Term Debt		353,958	353,958
0072 Interest on Long-Term Debt		313,192	313,192
0073 Bond Issuance Costs and Fees		1,070	1,070
0093 Payments to Fiscal Agents/Member Districts	147,922		147,922
0099 Other Intergovernmental Charges	<u>95,350</u>		<u>95,350</u>
6050 Total Expenditures	<u>\$ 15,333,137</u>	<u>\$ 1,574,858</u>	<u>\$ 16,907,995</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (10,247)</u>	<u>\$ 59,783</u>	<u>\$ 49,536</u>
1200 Net Change in Fund Balance	\$ (10,247)	\$ 59,783	\$ 49,536
0100 September 1 - Fund Balance	<u>12,971,218</u>	<u>1,008,039</u>	<u>13,979,257</u>
3000 August 31 - Fund Balance	<u>\$ 12,960,971</u>	<u>\$ 1,067,822</u>	<u>\$ 14,028,793</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, 2018**

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-3)	\$ 49,536
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 (\$935,220) exceeds capital outlays \$56,473 in the current period.	(878,747)
Repayment of bond and other long-term debt principal \$530,000 is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	530,000
Current year amortization of premiums on bonds \$67,759 and loss due to refunding (\$6,670) increases net position.	61,089
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 (\$83,057) and premium amortization \$8,241 is to decrease net position.	(74,816)
Current year changes due to GASB 68 required credits to expenses in the amount of \$1,635,819 and debits to expenses in the amount of (\$1,754,765) resulting in a decrease in the change in ending net position of (\$118,946).	(118,946)
Current year changes due to GASB 75 required credits to expenses in the amount of \$4,470,082 and debits to expenses in the amount of (\$2,604,835) resulting in an increase in the change in ending net position of \$1,865,247.	1,865,247
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>75,947</u>
Change in Net Position of Governmental Activities (Exhibit B-1)	<u>\$ 1,509,310</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, 2018

	<u>Agency Funds</u>
ASSETS:	
Cash and Temporary Investments	\$ 206,855
Due from Other Funds	<u>8,992</u>
Total Assets	<u>\$ 215,847</u>
LIABILITIES:	
Due to Other Funds	\$ 83,200
Due to Student Groups	<u>132,647</u>
Total Liabilities	<u>\$ 215,847</u>
NET POSITION:	
Unrestricted Net Position	<u><u>0</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**

Presidio Independent School District's (the District) is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB) applicable to governmental units. The District also complies with the appropriate version of the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FAR) and the requirements of contracts and grants of agencies from which it receives funds. 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.

**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.

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.

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. 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. 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.

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

During fiscal year 2018, the District adopted GASB Statement No. 75 (GASB 75) for Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB Liability of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is (\$9,315,913). The restated beginning net position is \$17,005,445.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**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.

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, 2018. 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 premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

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

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**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, 2018, 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.

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**

**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.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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.

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.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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.

**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, 2018.

**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.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**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.

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. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES**

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where Non-Employer Contributing Entities (NECE) also participate in contributions to the plans. TRS-Retirement and TRS-Care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year, the NECE expense was negative due to changes in benefits within the TRS-Care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

The following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 Instruction	\$ (590,181)	\$ (1,525,752)	\$ 935,571
12 Instructional Resources and Media Services	15,039	(19,734)	34,773
13 Curriculum and Staff Development	59,258		59,258
21 Instructional Leadership	15,964	(41,840)	57,804
23 School Leadership	(122,576)	(154,992)	32,416
31 Guidance, Counseling, and Evaluation Services	(57,437)	(72,627)	15,190
32 Social Work Services	(24,348)	(30,787)	6,439
33 Health Services	(17,897)	(22,630)	4,733
34 Student Transportation	(77,415)	(97,888)	20,473
35 Food Services	770,315	(99,995)	870,310
36 Extracurricular Activities	(78,247)	(98,940)	20,693
41 General Administration	(106,124)	(146,834)	40,710
51 Plant Maintenance and Operations	(162,948)	(206,041)	43,093
52 Security and Monitoring Services	(47,656)	(60,259)	12,603
53 Data Processing Services	(41,413)	(52,365)	10,952
61 Community Services	126,486	(704)	127,190
72 Interest on Long-Term Debt	416,283		416,283
	<u>\$ 77,103</u>	<u>\$ (2,631,388)</u>	<u>\$ 2,708,491</u>

**I. 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.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**J. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

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

**K. 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.

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.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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, 2018, 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, 2018, the District was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

The carrying amount of the District's cash and temporary investments at August 31, 2018, approximates fair value and consisted of the following shown below:

Cash in Bank	\$	1,230,001
Lonestar Investment Pools		9,587,585
Texpool		<u>4,440,693</u>
Total Cash and Investments	\$	<u><u>15,258,279</u></u>
Cash and Investments - Statement of Net Position	\$	15,051,424
Cash and Investments - Fiduciary Funds		<u>206,855</u>
Total Cash and Investments	\$	<u><u>15,258,279</u></u>

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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, 2018:

Due from State - Accrued Foundation Payments	\$	630,117
Due from State - NSLP & SBP		42,970
Due from State - Other Reimbursements		<u>225,380</u>
Total Due from Other Governments	\$	<u><u>898,467</u></u>

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2018, 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	\$ 558,734	\$ 4,545
Debt Service Funds		3,669
Agency Funds	<u>83,200</u>	<u>6,354</u>
	<u>\$ 641,934</u>	<u>\$ 14,568</u>
Special Revenue Funds		
General Fund	\$ 4,545	\$ 558,734
Special Revenue Funds	60,666	60,666
Agency Funds		<u>2,638</u>
	<u>\$ 65,211</u>	<u>\$ 622,038</u>
Debt Service Funds		
General Fund	<u>\$ 3,669</u>	<u>\$</u>
	<u>\$ 3,669</u>	<u>\$ 0</u>
Agency Funds		
General Fund	\$ 6,354	\$ 83,200
Special Revenue Funds	<u>2,638</u>	
	<u>\$ 8,992</u>	<u>\$ 83,200</u>
	<u><u>\$ 719,806</u></u>	<u><u>\$ 719,806</u></u>

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2018, was as follows:

	<u>9/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>8/31/2018</u>
Capital Assets:				
Land	\$ 1,616,978	\$	\$	\$ 1,616,978
Building and Improvements	26,533,974			26,533,974
Furniture and Equipment	3,340,642			3,340,642
Vehicles	<u>1,472,109</u>	<u>56,473</u>		<u>1,528,582</u>
	<u>\$ 32,963,703</u>	<u>\$ 56,473</u>	<u>\$ 0</u>	<u>\$ 33,020,176</u>
Accumulated Depreciation:				
Buildings and Improvements	\$ 10,413,196	\$ 767,623	\$	\$ 11,180,819
Furniture and Equipment	2,991,525	52,206		3,043,731
Vehicles	<u>1,078,021</u>	<u>115,391</u>		<u>1,193,412</u>
	<u>\$ 14,482,742</u>	<u>\$ 935,220</u>	<u>\$ 0</u>	<u>\$ 15,417,962</u>
Total Net Value of Capital Assets	<u>\$ 18,480,961</u>	<u>\$ (878,747)</u>	<u>\$ 0</u>	<u>\$ 17,602,214</u>

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

Instruction	\$ 475,061
Instruction Resources and Media Services	10,145
Curriculum and Instructional Staff Development	10,031
Instructional Leadership	14,164
School Leadership	48,287
Guidance, Counseling, and Evaluation Services	19,061
Social Work Services	7,929
Health Services	6,618
Student (Pupil) Transportation	29,990
Food Services	64,018
Cocurricular/Extracurricular Activities	41,061
General Administration	60,158
Plant Maintenance and Operations	99,862
Security and Monitoring Services	22,078
Data Processing Services	16,591
Community Services	<u>10,166</u>
	<u>\$ 935,220</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 OUTFLOWS AND INFLOWS OF RESOURCES**

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Outflows on the Statement on Net Position consists of deferred loss on bond refunding, which is amortized over the life of the refunding bond of \$60,030, the District's proportionate share of TRS OPEB deferred outflows of \$84,448 (See Note 13), and the District's proportionate share of TRS pension deferred outflows of \$1,048,672 (See Note 12).

Deferred Inflows on the Statement on Net Position consists of the District's proportionate share of TRS OPEB deferred inflows of \$2,222,342 (See Note 13), and District's proportionate share of TRS pension deferred inflows of \$663,119 (See Note 12).

Deferred Inflows on the Balance Sheet – Governmental Funds consists of:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Delinquent Property Taxes	\$ 1,578,824	\$ 340,974	\$ 1,919,798
Less: Allowance for Uncollectible Taxes	<u>(517,811)</u>	<u>(132,566)</u>	<u>(650,377)</u>
Total Deferred Inflows - Exhibit C-1	<u>\$ 1,061,013</u>	<u>\$ 208,408</u>	<u>\$ 1,269,421</u>

**8. UNEARNED REVENUE**

Unearned revenue is associated with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unearned revenues consisted of State Foundation overpayments of \$1,231,282 and deferred grant revenue of \$916.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

9. 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.

Description	Interest Rate	Amount Originally Issued	Amount Outstanding 9/1/2017	Increases Current Year	Retired Current Year	Amount Outstanding 8/31/2018
1998A Unlimited Tax						
Refunding Bonds	4.6 - 5.5%	\$ 4,405,000	\$ 15,000	\$	\$	\$ 15,000
Appreciation Bonds	N/A	79,996	79,996			79,996
Accumulated Accretion	N/A		166,506	14,835		181,341
1998 Unlimited Tax						
Appreciation Bonds	N/A	543,878	189,567		43,958	145,609
Accumulated Accretion	N/A		721,434	68,222	176,042	613,614
2016 Unlimited Tax						
Refunding Bonds	2.0 - 4.0%	4,055,000	3,565,000		310,000	3,255,000
		<u>\$ 9,083,874</u>	<u>\$ 4,737,503</u>	<u>\$ 83,057</u>	<u>\$ 530,000</u>	<u>\$ 4,290,560</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. Interest expenditures for this bonded debt totaled \$136,400 for the year ended August 31, 2018.

Debt interest expenditures on the 1998 Series bonds were \$176,792 during the year ended August 31, 2018 and bond premium amortization of \$8,241.

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

Years Ending August 31,	Principal	Interest	Total
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	408,238	159,512	567,750
2024-2028	<u>1,551,761</u>	<u>302,568</u>	<u>1,854,329</u>
	\$ 3,495,605	\$ 1,622,074	\$ 5,117,679
Accreted CAB Application	<u>794,955</u>	<u>(794,955)</u>	<u>0</u>
	<u>\$ 4,290,560</u>	<u>\$ 827,119</u>	<u>\$ 5,117,679</u>

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Special Revenue Fund	Total
Property Taxes, Penalties, Interest and Other Tax-Related Income	\$ 1,806,347	\$ 300,085	\$	\$ 2,106,432
Food Sales	23,647		168	23,815
Interest Income	197,887	11,635		209,522
Rent	115,426			115,426
Other	99,922		14,120	114,042
	<u>\$ 2,243,229</u>	<u>\$ 311,720</u>	<u>\$ 14,288</u>	<u>\$ 2,569,237</u>

11. 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, 2018 are as follows:

	Federal CFDA Number	Current Year Revenue
Medicaid Administrative Claiming Program	93.778	\$ 271,736
School Breakfast Program	10.553	205,211
National School Lunch Program	10.555	624,818
		<u>\$ 1,101,765</u>

12. 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.

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.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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\_2017.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 2017 and 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2017 and 2016.

<u>Net Pension Liability</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability	\$ 179,336,534,819	\$ 171,797,150,487
Less: Plan Fiduciary Net Position	<u>(147,361,922,120)</u>	<u>(134,008,637,473)</u>
Net Pension Liability	<u>\$ 31,974,612,699</u>	<u>\$ 37,788,513,014</u>
 Net Position as Percentage of Total Pension Liability	 82.17%	 78.00%

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.

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.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates	
	2017	2018
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
2018 Employer Contributions	\$	269,152
2018 Member Contributions		748,130
2017 NECE On-Behalf Contributions		513,689

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.

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.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Actuarial Assumptions**

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
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, 2017 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
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%
<b>Stable Value</b>			
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%
<b>Real Return</b>			
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%
<b>Risk Parity</b>			
Risk Parity	5.00%	6.70%	0.30%
Inflation Expectation			2.20%
Alpha			1.00%
<b>Total</b>	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 2017 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
PISD's Proportionate Share of the Net Pension Liability	\$ <u>4,676,044</u>	\$ <u>2,773,779</u>	\$ <u>1,189,835</u>

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

At August 31, 2018, the District reported a liability of \$2,773,779 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	\$ 2,773,779
State's Proportionate Share that is Associated with the District	<u>5,022,112</u>
Total	<u>\$ 7,795,891</u>

The net pension liability was measured as of August 31, 2017, 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, 2016 through August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net pension liability was 0.008675% which was a decrease of 0.000235% from its proportion measured as of August 31, 2016.

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, 2018, the District recognized pension expense of \$383,067 and revenue of \$513,689 for support provided by the State.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

At August 31, 2018, 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 Actuarial Experience	\$ 40,582	\$ 149,586
Changes in Actuarial Assumptions	126,350	72,332
Difference Between Projected and Actual Investment Earnings		202,147
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	612,588	239,054
Contributions Paid to TRS Subsequent to the Measurement Date	<u>269,152</u>	
Total	<u>\$ 1,048,672</u>	<u>\$ 663,119</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
2019	\$ 18,542
2020	195,600
2021	4,939
2022	(52,343)
2023	(39,205)
Thereafter	(11,132)

**13. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

**Plan Description**

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

**OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [https://www.trs.texas.gov/TRS%20Documents/cafr\\_2017.pdf](https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf); by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

Net OPEB Liability	2017
Total OPEB Liability	\$ 43,885,784,621
Less: Plan Fiduciary Net Position	(399,535,986)
Net OPEB Liability	\$ 43,486,248,635
Net Position as Percentage of Total Pension OPEB	0.91%

**Benefits Provided**

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates			
Effective Sept. 1, 2016 - Dec. 31, 2017			
	TRS Care-1 Basic Plan	TRS Care-2 Optional Plan	TRS Care-3 Optional Plan
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82
<i>* or surviving spouse</i>			

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**Contributions**

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
2018 Employer Contributions	\$	83,615
2018 Member Contributions		63,157
2017 NECE On-Behalf Contributions		88,037

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

**Actuarial Assumptions**

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

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

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

**Additional Actuarial Methods and Assumptions:**

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

**Discount Rate**

A single discount rate of 3.42% was used to measure the total OPEB liability. There was an increase of .44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

PRESIDIO INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate (2.42%)</u>	<u>Discount Rate (3.42%)</u>	<u>1% Increase in Discount Rate (4.42%)</u>
PISD's Proportionate Share of the Net OPEB Liability	\$ <u>6,270,390</u>	\$ <u>5,312,772</u>	\$ <u>4,543,063</u>

Healthcare Cost Trend Rates Sensitivity Analysis

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
PISD's Proportionate Share of the Net OPEB Liability	\$ <u>4,423,413</u>	\$ <u>5,312,772</u>	\$ <u>6,479,722</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2018, the District reported a liability of \$5,312,772 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Presidio ISD were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 5,312,772
State's Proportionate Share that is Associated with the District	<u>7,363,708</u>
Total	<u>\$ 12,676,480</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.012217%, which was the same proportion measured as of August 31, 2016.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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

1. Significant plan changes were adopted during fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

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

For the year ended August 31, 2018, the District recognized OPEB expense of (\$2,464,093) and revenue of \$88,037 for support provided by the State.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Actuarial Experience	\$	\$ 110,908
Changes in Actuarial Assumptions		2,111,434
Difference Between Projected and Actual Investment Earnings	807	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	26	
Contributions Paid to TRS Subsequent to the Measurement Date	<u>83,615</u>	
Total	<u>\$ 84,448</u>	<u>\$ 2,222,342</u>

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

	<u>OPEB (Benefit) Expense</u>
2019	\$ (293,130)
2020	(293,130)
2021	(293,130)
2022	(293,130)
2023	(293,332)
Thereafter	(755,657)

**14. HEALTH CARE COVERAGE**

During the year ended August 31, 2018, 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 \$30,690 and \$28,209 for the years ended August 31, 2018 and 2017, respectively.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**15. 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, 2018, was \$147,922.

**16. 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, 2018, 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.

**17. 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.

**18. LITIGATION**

The District is involved in a disability discrimination lawsuit filed by a former employee. Management and Counsel are contesting the case vigorously. Trial has been scheduled for February 20, 2019. If pending Motions are granted, the amount of the potential loss is not likely to exceed insurance amounts in the TASB Risk Management Fund Coverage Agreement. If pending Motions are denied, the amount of the potential loss could exceed insurance amounts. Accordingly, adjustments, if any, which might result for the resolution of this matter, have not been reflected in these financial statements.

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**19. 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.

**20. SUBSEQUENT EVENTS**

The District's management has evaluated subsequent events through December 10, 2018, 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, 2018

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended	Actual		
Revenues:					
5700	Local and Intermediate Sources	\$ 2,451,397	\$ 2,504,397	\$ 2,243,229	\$ (261,168)
5800	State Program Revenues	12,154,179	12,154,179	11,977,896	(176,283)
5900	Federal Program Revenues	1,240,100	1,310,100	1,101,765	(208,335)
5020	Total Revenues	\$ 15,845,676	\$ 15,968,676	\$ 15,322,890	\$ (645,786)
Expenditures:					
0011	Instruction	\$ 7,576,809	\$ 7,968,059	\$ 7,509,236	\$ 458,823
0012	Instructional Resources and Media Services	188,110	187,110	142,884	44,226
0013	Curriculum and Instructional Staff Development	184,700	185,015	112,324	72,691
0021	Instructional Leadership	275,450	205,450	193,215	12,235
0023	School Leadership	949,300	869,300	825,935	43,365
0031	Guidance, Counseling, and Evaluation Services	347,720	346,720	326,036	20,684
0032	Social Work Services	175,170	175,170	135,613	39,557
0033	Health Services	164,650	174,650	113,201	61,449
0034	Student Transportation	672,390	677,390	512,973	164,417
0035	Food Services	1,261,625	1,396,625	1,080,811	315,814
0036	Extracurricular Activities	880,983	880,983	702,321	178,662
0041	General Administration	1,021,100	1,054,300	1,018,971	35,329
0051	Plant Maintenance and Operations	1,722,673	1,745,199	1,708,091	37,108
0052	Security and Monitoring Services	348,950	400,697	377,633	23,064
0053	Data Processing Services	180,210	285,210	283,784	1,426
0061	Community Services	21,200	56,200	46,837	9,363
0081	Facilities Acquisition and Construction	25,000	25,000		25,000
0093	Payments to Fiscal Agents/Member Districts	159,600	159,600	147,922	11,678
0099	Other Intergovernmental Charges	125,000	125,000	95,350	29,650
6030	Total Expenditures	\$ 16,280,640	\$ 16,917,678	\$ 15,333,137	\$ 1,584,541
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (434,964)	\$ (949,002)	\$ (10,247)	\$ 938,755
1200	Net Change in Fund Balance	\$ (434,964)	\$ (949,002)	\$ (10,247)	\$ 938,755
0100	September 1 - Fund Balance	12,971,218	12,971,218	12,971,218	0
3000	August 31 - Fund Balance	\$ 12,536,254	\$ 12,022,216	\$ 12,960,971	\$ 938,755

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

	2018 <u>Plan Year 2017</u>	2017 <u>Plan Year 2016</u>	2016 <u>Plan Year 2015</u>	2015 <u>Plan Year 2014</u>
District's Proportion of the Net Pension Liability	0.008675%	0.008891%	0.010153%	0.006096%
District's Proportionate Share of the Net Pension Liability	\$ 2,773,779	\$ 3,359,746	\$ 3,588,915	\$ 1,628,219
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>5,022,112</u>	<u>6,046,496</u>	<u>6,525,986</u>	<u>5,953,992</u>
Total	<u>\$ 7,795,891</u>	<u>\$ 9,406,242</u>	<u>\$ 10,114,901</u>	<u>\$ 7,582,211</u>
District's Covered Payroll	\$ 9,808,652	\$ 9,609,756	\$ 10,342,813	\$ 10,480,014
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	28.28%	34.96%	34.70%	15.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	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, 2017 for 2018, August 31, 2016 for 2017, August 31, 2015 for 2016, and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only four 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  
FOR PENSIONS  
TEACHERS RETIREMENT SYSTEM  
FOR THE YEARS ENDED AUGUST 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 284,314	\$ 282,487	\$ 300,631	\$ 154,541
Contribution in Relation to the Contractually Required Contribution	<u>(284,314)</u>	<u>(282,487)</u>	<u>(300,631)</u>	<u>(154,541)</u>
Contribution Deficiency (Excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
District's Covered Payroll	\$ 9,715,975	\$ 9,808,652	\$ 9,609,756	\$ 10,342,813
Contributions as a Percentage of Covered Payroll	2.93%	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 of the preceding year.

Note: In accordance with GASB 68, Paragraph 138, only four 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-4

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
TEACHERS RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31

	<u>2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net OPEB Liability	0.012217%
District's Proportionate Share of Net OPEB Liability	\$ 5,312,772
State's Proportionate Share of the Net OPEB Liability Associated with the District	<u>7,363,708</u>
Total	<u>\$ 12,676,480</u>
District's Covered Payroll	\$ 9,808,652
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	54.16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

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

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

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**Exhibit G-5**

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR OTHER POST-EMPLOYMENT BENEFITS  
TEACHERS RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31**

	<u>2018</u>
Contractually Required Contribution	\$ 72,870
Contribution in Relation to the Contractually Required Contribution	<u>(72,870)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>
District's Covered Payroll	\$ 9,715,975
Contributions as a Percentage of Covered Payroll	0.75%

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

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

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**A. NOTES TO SCHEDULES FOR THE TRS PENSION**

*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*

There were no changes in the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

**B. NOTES TO SCHEDULES FOR THE TRS OPEB PLAN**

*Changes of Benefit Terms*

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

*Changes of Assumptions*

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

1. Significant plan changes were adopted during fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

**PRESIDIO SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

**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, 2018

	Special Revenue Funds						
	211	212	220	244	255	263	270
	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	ESEA VI, Pt B Rural & Low Income
<b>ASSETS:</b>							
Cash and Temporary Investments	\$ 183,933	\$	\$	\$	\$ 180,513	\$	\$
Property Taxes - Delinquent							
Allowance for Uncollectible Taxes							
Due from Other Governments	145,289	9,193	6,001	4,195	2,534	21,475	20,775
Due from Other Funds	60,666		1,010			2,275	
<b>Total Assets</b>	<u>\$ 389,888</u>	<u>\$ 9,193</u>	<u>\$ 7,011</u>	<u>\$ 4,195</u>	<u>\$ 183,047</u>	<u>\$ 23,750</u>	<u>\$ 20,775</u>
<b>LIABILITIES:</b>							
Accounts Payable	\$	\$	\$	\$	\$	\$	\$
Accrued Wages Payable	16,945	1,823				4,820	
Due to Other Funds	370,879	7,148	7,011	4,195	183,047	18,343	20,775
Due to Other Governments							
Accrued Expenditures	2,064	222				587	
Unearned Revenues							
<b>Total Liabilities</b>	<u>\$ 389,888</u>	<u>\$ 9,193</u>	<u>\$ 7,011</u>	<u>\$ 4,195</u>	<u>\$ 183,047</u>	<u>\$ 23,750</u>	<u>\$ 20,775</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable Revenue - Property Taxes	\$	\$	\$	\$	\$	\$	\$
<b>Total Deferred Inflows</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>FUND BALANCE:</b>							
Restricted for:							
Retirement of Long-Term Debt	\$	\$	\$	\$	\$	\$	\$
<b>Total Fund Balances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 389,888</u>	<u>\$ 9,193</u>	<u>\$ 7,011</u>	<u>\$ 4,195</u>	<u>\$ 183,047</u>	<u>\$ 23,750</u>	<u>\$ 20,775</u>

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit H-1  
(Concluded)

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2018

	Special Revenue Funds						Total Nonmajor Governmental August 31, 2018
	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	
<b>ASSETS:</b>							
Cash and Temporary Investments	\$	\$ 3,449	\$	\$ 920	\$ 368,815	\$ 1,066,955	\$ 1,435,770
Property Taxes - Delinquent					0	340,974	340,974
Allowance for Uncollectible Taxes					0	(132,566)	(132,566)
Due from Other Governments	7,267			2,061	218,790		218,790
Due from Other Funds	1,239		21		65,211	3,669	68,880
<b>Total Assets</b>	<u>\$ 8,506</u>	<u>\$ 3,449</u>	<u>\$ 21</u>	<u>\$ 2,981</u>	<u>\$ 652,816</u>	<u>\$ 1,279,032</u>	<u>\$ 1,931,848</u>
<b>LIABILITIES:</b>							
Accounts Payable	\$	\$	\$	\$ 2,063	\$ 2,063	\$	\$ 2,063
Accrued Wages Payable	1,193				24,781		24,781
Due to Other Funds	7,168	3,449	21	2	622,038		622,038
Due to Other Governments					0	2,802	2,802
Accrued Expenditures	145				3,018		3,018
Unearned Revenues				916	916		916
<b>Total Liabilities</b>	<u>\$ 8,506</u>	<u>\$ 3,449</u>	<u>\$ 21</u>	<u>\$ 2,981</u>	<u>\$ 652,816</u>	<u>\$ 2,802</u>	<u>\$ 655,618</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable Revenue - Property Taxes	\$	\$	\$	\$	\$ 0	\$ 208,408	\$ 208,408
<b>Total Deferred Inflows</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 208,408</u>	<u>\$ 208,408</u>
<b>FUND BALANCE:</b>							
Restricted for:							
Retirement of Long-Term Debt	\$	\$	\$	\$	\$ 0	\$ 1,067,822	\$ 1,067,822
<b>Total Fund Balances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,067,822</u>	<u>\$ 1,067,822</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 8,506</u>	<u>\$ 3,449</u>	<u>\$ 21</u>	<u>\$ 2,981</u>	<u>\$ 652,816</u>	<u>\$ 1,279,032</u>	<u>\$ 1,931,848</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, 2018

	Special Revenue Funds						
	211 ESEA Title I, Part A, Improving Basic Programs	212 ESEA Title I, Part C, Migrant Children	220 Adult Education	242 Summer Feeding Program	244 Vocational Education Basic Grant	255 ESEA Title II, Part A, Teacher & Principal Training	263 English Language Acquisition & Enhancement
REVENUES:							
Local and Intermediate Sources	\$	\$	\$	\$ 168	\$	\$	\$
State Program Revenues							
Federal Program Revenues	526,075	27,323	61,128	14,011	14,098	41,190	67,781
Total Revenues	\$ 526,075	\$ 27,323	\$ 61,128	\$ 14,179	\$ 14,098	\$ 41,190	\$ 67,781
EXPENDITURES:							
Instruction	\$ 324,439	\$ 5,330	\$ 32,969	\$	\$ 14,098	\$ 41,190	\$ 67,581
Instructional Resources and Media Services	30,646						
Curriculum and Instructional Staff Development	35,246						
Instructional Leadership		20,894	28,159				
Food Services				14,179			
General Administration	8,800	1,000					200
Community Services	126,944	99					
Debt Service - Principal of Long-Term Debt							
Debt Service - Interest on Long-Term Debt							
Debt Service - Bond Issuance Cost							
Total Expenditures	\$ 526,075	\$ 27,323	\$ 61,128	\$ 14,179	\$ 14,098	\$ 41,190	\$ 67,781
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 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, 2018

	Special Revenue Funds						599 Debt Service Fund	Total Nonmajor Governmental Funds
	270 ESEA VI, Pt B Rural & Low Income	289 Other Federal Special Revenues	410 State Textbook Fund	429 Other State Special Revenue Funds	499 Misc. Funds	Total Special Revenue Funds		
<b>REVENUES:</b>								
Local and Intermediate Sources	\$	\$	\$	\$	\$	\$	\$	\$
State Program Revenues		47,748	12,834	350	14,120	14,288	311,720	326,008
Federal Program Revenues	21,575	38,552			19,685	80,617	416,283	496,900
<b>Total Revenues</b>	<b>\$ 21,575</b>	<b>\$ 86,300</b>	<b>\$ 12,834</b>	<b>\$ 350</b>	<b>\$ 33,805</b>	<b>\$ 906,638</b>	<b>\$ 728,003</b>	<b>\$ 1,634,641</b>
<b>EXPENDITURES:</b>								
Instruction	\$	\$	\$	\$	\$	\$	\$	\$
Instructional Resources and Media Services		83,863	12,834	350	33,805	616,459		616,459
Curriculum and Instructional Staff Development	21,575	2,437				30,646		30,646
Instructional Leadership						59,258		59,258
Food Services						49,053		49,053
General Administration						14,179		14,179
Community Services						10,000		10,000
Debt Service - Principal of Long-Term Debt						127,043	353,958	353,958
Debt Service - Interest on Long-Term Debt						0	313,192	313,192
Debt Service - Bond Issuance Cost						0	1,070	1,070
<b>Total Expenditures</b>	<b>\$ 21,575</b>	<b>\$ 86,300</b>	<b>\$ 12,834</b>	<b>\$ 350</b>	<b>\$ 33,805</b>	<b>\$ 906,638</b>	<b>\$ 668,220</b>	<b>\$ 1,574,858</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,783	\$ 59,783
Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,783	\$ 59,783
Fund Balance - September 1 (Beginning)						0	1,008,039	1,008,039
Fund Balance - August 31 (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,067,822	\$ 1,067,822

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit J-1

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2018

Last Ten Years Ended August 31,	1		3 Assessed/ Appraised Value for School Tax Purposes	10 Beginning Balance 9/1/2017	20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2018
	Tax Rates								
	Maintenance	Debt Service							
2009 and Prior Years	Various	Various	\$ Various	\$ 722,292	\$	\$ 8,948	\$ 1,640	\$ (61,327)	\$ 650,377
2010	1.17000	0.24141	81,724,425	82,295		3,005	620	(106)	78,564
2011	1.17000	0.24140	89,562,549	85,815		2,902	599	(105)	82,209
2012	1.17000	0.24140	130,082,063	90,276		4,595	948	(106)	84,627
2013	1.17000	0.24140	148,534,009	96,772		2,305	475	(149)	93,843
2014	1.17000	0.24000	149,961,801	102,241		3,538	726	(121)	97,856
2015	1.17000	0.24000	189,099,240	170,511		8,197	1,681	(185)	160,448
2016	1.17000	0.24000	179,252,414	206,543		16,154	3,314	(1,502)	185,573
2017	1.17000	0.24000	169,778,391	284,386		46,248	9,487	(2,730)	225,921
2018 (School Year Under Audit)	1.17000	0.19000	168,514,857		2,290,162	1,696,964	275,575	(57,243)	260,380
1000	TOTALS			\$ 1,841,131	\$ 2,290,162	\$ 1,792,856	\$ 295,065	\$ (123,574)	\$ 1,919,798

PRESIDIO INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1		2	3	Variance With Final Budget Favorable (Unfavorable)
	Budgeted Amounts			Actual	
	Original	Amended			
Revenues:					
5700	Local and Intermediate Sources	\$ 352,483	\$ 352,483	\$ 311,720	\$ (40,763)
5800	State Program Revenues	<u>408,873</u>	<u>408,873</u>	<u>416,283</u>	<u>7,410</u>
5020	Total Revenues	\$ <u>761,356</u>	\$ <u>761,356</u>	\$ <u>728,003</u>	\$ <u>(33,353)</u>
Expenditures:					
0071	Principal on Long-Term Debt	\$ 353,959	\$ 353,959	\$ 353,958	\$ 1
0072	Interest on Long-Term Debt	313,192	313,192	313,192	0
0073	Issuance Cost and Fees	<u>1,999</u>	<u>1,999</u>	<u>1,070</u>	<u>929</u>
6030	Total Expenditures	\$ <u>669,150</u>	\$ <u>669,150</u>	\$ <u>668,220</u>	\$ <u>930</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>92,206</u>	\$ <u>92,206</u>	\$ <u>59,783</u>	\$ <u>(32,423)</u>
1200	Net Change in Fund Balance	\$ 92,206	\$ 92,206	\$ 59,783	\$ (32,423)
0100	September 1 - Fund Balance	<u>1,008,039</u>	<u>1,008,039</u>	<u>1,008,039</u>	<u>0</u>
3000	August 31 - Fund Balance	\$ <u><u>1,100,245</u></u>	\$ <u><u>1,100,245</u></u>	\$ <u><u>1,067,822</u></u>	\$ <u><u>(32,423)</u></u>

**OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**

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

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**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, 2018, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2018.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Presidio Independent School 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 10, 2018

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

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

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**8215 NASHVILLE AVENUE**

**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 *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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, Presidio Independent School 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, 2018.

### **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 10, 2018

**FEDERAL FINANCIAL ASSISTANCE SECTION**

PRESIDIO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED AUGUST 31, 2018

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:

CFDA Number(s) Name of Federal Program or Cluster
84.010A ESEA Title I Part A, Improving Basic Programs

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, 2018**

**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, 2018

2a Project / Pass-Through Entity ID Number	1 Federal Grantor/ Pass-Through Grantor/Program Title	2 Federal CFDA Number	3 Federal Expenditures
<b>U.S. Department of Education:</b>			
<b>Texas Department of Education:</b>			
18610101189902	ESEA Title I Part A, Improving Basic Programs	84.010A	\$ 507,066
19610101189902	ESEA Title I Part A, Improving Basic Programs	84.010A	19,009
			<u>\$ 526,075</u>
17615001189902	ESEA Title I, Part C, Migrant Education Programs	84.011A	\$ 456
18615001189902	ESEA Title I, Part C, Migrant Education Programs	84.011A	24,822
19615001189902	ESEA Title I, Part C, Migrant Education Programs	84.011A	2,045
			<u>\$ 27,323</u>
17420006189902	Title I, Part C, Carl Perkins Vocational Education - Basic	84.048A	<u>\$ 14,098</u>
18671001189902	Title III, Part A, English Language Acquisition and Language Enhancement	84.365A	\$ 62,374
19671001189902	Title III, Part A, English Language Acquisition and Language Enhancement	84.365A	5,407
			<u>\$ 67,781</u>
17694501189902	Title II, Part A Teacher/Principal Training & Recruiting	84.367A	\$ 193
18694501189902	Title II, Part A Teacher/Principal Training & Recruiting	84.367A	40,997
			<u>\$ 41,190</u>
18696001189902	Title V, Part B SP 2 - Rural & Low Income Schools	84.358B	<u>\$ 21,575</u>
18680101189902	Title IV, Part A	84.424A	<u>\$ 14,252</u>
	Total Passed Through Texas Education Agency		<u>\$ 712,294</u>
<b>Passed Through Socorro ISD:</b>			
1016AEL000	Adult Education - English Literacy	84.002A	<u>\$ 56,343</u>
<b>Passed Through Yselta ISD:</b>			
1018ALA000	Adult Education - English Literacy	84.002A	<u>\$ 4,785</u>
	TOTAL DEPARTMENT OF EDUCATION		<u>\$ 773,422</u>
<b>U.S. Department of Agriculture:</b>			
<b>Texas Department of Agriculture:</b>			
	<i>Child Nutrition Cluster</i>		
	School Breakfast Program	10.553	\$ 205,211
	National School Lunch Program - Cash Assistance	10.555	612,673
	National School Lunch Program - Non-Cash Assistance	10.555	12,145
	Summer Feeding Program	10.559	14,011
	<i>Total Child Nutrition Cluster</i>		<u>\$ 844,040</u>
<b>Texas Workforce Commission</b>			
1018ATP001	WIA Dislocated Worker Formula Grant	17.278	<u>\$ 24,300</u>
	Total Passed Through Texas Workforce Commission		<u>\$ 24,300</u>
	<b>Expenditures of Federal Awards</b>		<u>\$ 1,641,762</u>
	Total Federal Revenues Per Exhibit C-2		\$ 1,913,498
	Less: School Health and Related Services (SHARS) Funds		<u>(271,736)</u>
			<u>\$ 1,641,762</u>

**PRESIDIO INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2018**

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, 2018. 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.