Pharr-San Juan-Alamo Independent School District



Annual Financial Report

For the Fiscal Year Ending August 31, 2016

Oscar R. Gonzalez, CPA & Associates P.L.L.C. Certified Public Accountants Pharr, Texas

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

This page is left blank intentionally.

Introductory Section

Pharr-San Juan-Alamo Independent School District Annual Financial Report For The Year Ended August 31, 2016

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
INTRODUCTORY SECTION		
List of Principal Officials	1	
Certificate of Board	2	
FINANCIAL SECTION		
Independent Auditors' Report	3	
Management's Discussion and Analysis (Required Supplementary Information)	5	
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	13	A-1
Statement of Activities	14	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds	16	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	18	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds	19	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities	21	C-3
Statement of Net Position - Proprietary Funds	22	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Funds	23	D-2
Statement of Cash Flows - Proprietary Funds	24	D-3
Statement of Fiduciary Net Position - Fiduciary Funds	25	E-1
Notes to the Financial Statements	26	
Required Supplementary Information		
Budgetary Comparison Schedules:		
General Fund	51	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System Of Texas	53	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas	54	G-3
Notes to Required Supplementary Information	55	
Combining Statements as Supplementary Information:		
Combining Balance Sheet - All Nonmajor Governmental Funds	56	H-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds	57	H-2
Special Revenue Funds:		

Pharr-San Juan-Alamo Independent School District Annual Financial Report For The Year Ended August 31, 2016

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Combining Balance Sheet - Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures and Changes	58	H-3
in Fund Balances - Nonmajor Special Revenue Funds	64	H-4
Permanent Funds:		
Combining Balance Sheet - Nonmajor Permanent Funds Combining Statement of Revenues, Expenditures and Changes	69	H-5
in Fund Balances - Nonmajor Permanent Funds	71	H-6
Enterprise Funds:		
Combining Statement of Net Position - Nonmajor Enterprise Funds	73	H-7
in Fund Net Position - Nonmajor Enterprise Funds	74	H-8
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	75	H-9
Internal Service Funds:	70	110
Combining Statement of Net Position Combining Statement of Revenues, Expenses and Changes	76	H-10
in Fund Net Position	78	H-11
Combining Statement of Cash Flows	80	H-12
Fiduciary Funds:		
Agency Funds:		
Combining Statement of Fiduciary Assets and Liabilities	82	H-13
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable Budgetary Comparison Schedules Required by the Texas Education Agency:	83	J-1
Debt Service Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed	85	J-2
in Accordance with Government Auditing Standards	86	
Report on Compliance for Each Major Program and on Internal Control over	00	
Compliance Required by Title 2 CFR Part 200 (Uniform Guidance)	88	
Schedule of Findings and Questioned Costs	90	
Summary Schedule of Prior Audit Findings	91	
Corrective Action Plan	92	
Schedule of Expenditures of Federal Awards	93	K-1
Notes to the Schedule of Expenditures of Federal Awards	95	
Schedule of Required Responses to Selected School First Indicators	96	K-2

LIST OF PRINCIPAL OFFICIALS AUGUST 31, 2016

	November 2015 - November 2016
	Elected Officials

Name Mr. Guadalupe "Lupe" Rodriguez	Office President
Mr. Ben Garza, Jr.	Vice-President
Mr. Jesus "Jesse" Vela, Jr.	Secretary-Treasurer
Mr. Humberto "Bobby" Rodriguez	Assistant Secretary-Treasurer
Mr. Ronaldo "Ronnie" Cantu	Member
Mr. Reymundo Gonzalez	Member
Mr. Victor Perez	Member

November 2016 - November 2017 Elected Officials

Name Mr. Ben Garza, Jr.
Mr. Jesse Zambrano
Mr. Jesus "Jesse" Vela, Jr.
Mr. Jorge Zambrano
Mr. Ronaldo "Ronnie" Cantu
Mr. Reymundo Gonzalez
Mr. Victor Perez

Office President

Vice-President

Secretary-Treasurer

Assistant Secretary-Treasurer

Member

Member

Member

Appointed Officials

Name Dr. Daniel King Position Superintendent of Schools

CERTIFICATE OF BOARD

Pharr-San Juan-Alamo Independent School District Name of School District

Hidalgo County 108-909 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, 2016, at a meeting of the board of trustees of such school district on the 31^{3} day of _______ approved _______.

Signature of Board Secretary

re of Board P Signatu esident

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

This page is left blank intentionally.

Financial Section

Oscar R. Sonzález, CPA & Associates, P.L.L.C.

Gertified Public Accountants

208 W. Ferguson Unil #1 • Pharr, Jexas 78577 Jel: (956) 787–9909 • Jax: (956) 787–3067 Email: org110n@aol.com

Oscar R. Sonzález Melissa Sonzález

Independent Auditors' Report

To the Board of Trustees Pharr-San Juan-Alamo Independent School District P.O. Box 769 Pharr, Texas 78577

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pharr-San Juan-Alamo Independent School District ("the District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pharr-San Juan-Alamo Independent School District as of August 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pharr-San Juan-Alamo Independent School District's basic financial statements. The introductory section and combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* Subpart F -- Audit Requirements (Uniform Guidance) and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2017 on our consideration of Pharr-San Juan-Alamo Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pharr-San Juan-Alamo Independent School District's internal control over financial reporting and compliance.

Oscar R. Gonzalez, OPA and Associates PLLC

Certified Public Accountants Pharr, TX January 27, 2017 This page is left blank intentionally.

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Pharr-San Juan-Alamo Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

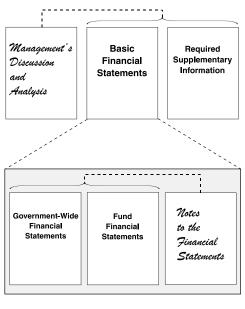
- The District's total combined net position was \$391,656,271 for fiscal year ending August 31, 2016. This amounted to an increase of \$28,625,901 from last year's restated total of \$363,020,370. The restatement is due to the implementation of GASB Statement No. 68 for Accounting and Reporting for Pensions. (Refer to Table A-2 and Note A.4.b).
 - During the year, the District's expenses were \$28,989,215 less than the revenue generated in taxes and other revenues for governmental activities.
 - The general fund reported a fund balance this year of \$87,082,132, with \$31,163,163 of this amount unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements, required supplementary information and an other schedules section.* The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as College for All Conference.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1F, Required Components of the District's Annual Financial Report



Detail

Summary The financial statements also include notes that explain some of the

information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

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

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
	• Statement of net position	Balance sheet	• Statement of net position	• Statement of fiduciary net position
Required financial statements	 Statement of activities 	 Statement of revenues, expenditures & changes in fund balances 	Statement of revenues, expenses and changes in fund net position Statement of cash flows	• Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long- term	All assets and liabilities, both short-term and long- term; the Agency's funds of not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

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

• Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, curriculum and staff development, school district administrative support services and general administration. Grants and charges for services finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain grants and local sources.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. In fact, the District's enterprise funds (one type of proprietary fund) are the same as business type activities but provide more detail and information, such as cash flows. The district has College for All and

Billboard Signs. We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities – such as the district's Self Insurance Funds and the Print Shop.

• *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. Student activity funds are included here.

The five classifications of fund balance of the governmental types are defined as follows:

- Nonspendable fund balance shall mean the portion of the gross fund balance that is not expendable (such as inventories) or is legally earmarked for a specific use.
 Examples of nonspendable fund balance reserves for which fund balance shall not be available for general
 - operating expenditures include:
 - Inventories
 - Prepaid items
 - Deferred expenditures
 - Long-term receivables
 - Outstanding encumbrances
- 2. Restricted fund balance shall include amounts constrained to a specific purpose by the provider, such as a grantor. Examples of restricted fund balances include:
 - Child nutrition program
 - Technology program
 - Construction Program
 - Resources from TEA for specific programs
- 3. Committed fund balance shall mean that portion of the fund balance that is constrained to a specific purpose by the Board or Superintendent.

Examples include:

- Potential litigation, claims, and judgments
- Construction
- Capital expenditures for equipment
- Student activity funds
- 4. Assigned fund balance shall mean that portion of the fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Superintendent. In current practice such plans or intent may change and may never be budgeted, or may result in expenditures in future periods of time. Examples include:
 - Program Start-Up Costs
 - Other Legal Uses
- 5. Unassigned fund balance shall include amounts available for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures. The unassigned fund balance shall be the difference between the total fund balance and the total of the nonspendable fund balance, restricted fund balance, committed fund balance and assigned fund balance.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$391,848,511 on August 31, 2016. (See Table A-1).

Table A-1 District's Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and Other Assets						
(Restated)	\$145,731,018	\$155,640,283	\$49,299	\$176,722	\$145,780,317	\$155,817,005
Capital and Non-Current						
Assets	682,624,086	688,080,610	-	-	682,624,086	688,080,610

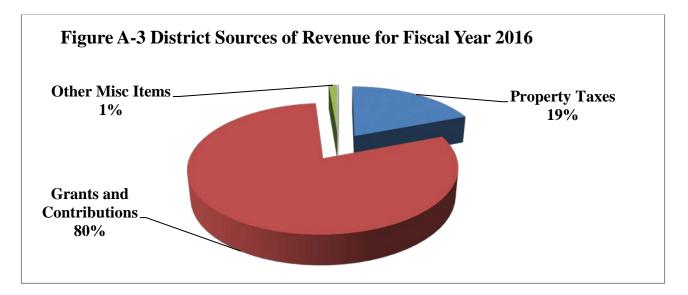
Total Assets	828,355,104	843,720,893	49,299	176,722	828,404,403	843,897,615
Deferred Outflows of Resources (Restated)	20,430,158	52,951,651			20,430,158	52,951,651
Current Liabilities	34,083,383	30,908,026	-	880	34,083,383	30,908,906
Long Term Liabilities (Restated)	416,452,791	414,470,699			416,452,791	414,470,699
Total Liabilities	450,536,174	445,357,725		880	450,536,174	445,376,605
Deferred Inflows of Resources Net Position	42,126,808	59,640,548			42,126,808	59,640,548
Net Investment in Capital Assets	331,045,804	337,554,721	-	-	331,045,804	337,554,721
Restricted	6,956,611	26,251,929	49,299	175,842	7,005,910	26,427,771
Unrestricted	18,114,299	27,849,621			18,114,299	27,849,621
Total Net Position	\$356,122,280	\$391,656,271	\$49,299	\$175,842	\$356,1141,579	\$391,832,113

Net position of the District's Governmental activities is \$391,656,271. However, the majority of the net position is either invested in capital assets or is restricted as to the purposes they can be used for.

The net position of the District's business-type activities increased to \$175,842 these resources cannot be used in governmental activities. The District generally can only use these funds to finance the continuing operation of the College for All Conference and the District Billboard.

Changes in net position. The District's total general revenues were \$292,013,029. A significant portion, (80%), of the District's revenue comes from grants and contributions (See Figure A-3.).

The total cost of all governmental programs and services was \$372,116,822; of these costs 81% are for instruction and instructional related services and student services.



Governmental Activities

- Investment earnings increased slightly due to the increases in interest rates.
- Property taxes increased due to slight increase in values and increased debt service tax rate. The tax rate for 2015-16 was \$1.3592. For 2016-17, the tax rate will remain at \$1.392. The maintenance and operations tax rate was

1.17 in 2015-16 and will remain the same in 2016-17. The debt service tax rate was .2292 in 2015-16 and will remain the same for 2016-17. The district had a successful Tax Ratification Election in August of 2011 at that time the debt service rate was .3192. Taxes, state funds, balances in the debt service fund and transfers from the general operating budget will continue to pay on debt service payments for 2016-17.

Table A-2

Changes in the District's Net Position

	Governmental <u>Activities 2015</u>	Governmental <u>Activities 2016</u>
Program Revenues:		
Charges for Services	\$796,918	\$633,603
Operating Grants and Contributions	71,663,878	96,295,911
Capital Grants and Contributions	14,227,174	12,163,494
General Revenues:		
Property Taxes	53,041,178	55,373,434
Grants and Contributions not Restricted	219,698,229	234,156,158
Investment Earnings	255,218	513,127
Miscellaneous Revenue	2,897,115	1,970,310
Total Revenues	363,574,144	400,818,420
Program Expense		
11 Instruction	173,567,465	197,250,468
12 Instructional resources media services	4,934,591	5,078,660
13 Curriculum Development and instructional s	taff development 8,889,741	9,120,496
21 Instructional Leadership	8,257,528	9,808,886
23 School Leadership	17,329,049	
31 Guidance, counseling and evaluation service		
32 Social work services	2,756,220	
33 Health services	3,764,347	4,199,267
34 Transportation	6,438,060	, ,
35 Food Service	22,588,310	
36 Curricular/Extracurricular activities	11,484,741	12,476,255
41 General Administration	7,116,879	
51 Plant maintenance and operations	32,867,772	
52 Security and monitoring	3,687,499	
53 Data processing	2,869,745	, ,
61 Community services	1,684,051	1,976,164
72 Interest on Long Term Debt	15,101,059	
73 Bond Issuance Cost and Fees	368,404	,
81 Capital Outlay	19,374	,
93 Payments related to Shared Services Arrange		330,338
99 Other Intergovernmental Charges	700,475	,
Total Expenses	337,660,674	
Increase (Decrease) in Net Position	\$25,919,036	\$28,989,215

• The net cost of all *governmental* activities this year was \$263,023,814. Those who directly benefited from program activities paid some of the cost. Other programs and services activities were paid by grants and contributions.

Table A-3 presents the cost of each of the District's largest functions.

Table A-3 Cost of Selected District's Functions

	otal Cost of ervices 2015	Cotal Cost of ervices 2016	% <u>Chage</u>
Instruction	\$ 173,567,465	\$ 197,250,468	13.6%
Plant, Maintenance & Operations	32,867,772	35,009,663	6.5%
Food Service	22,588,310	23,062,749	2.1%
School Leadership	17,329,049	19,183,949	10.7%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from all governmental funds totaled \$382,271,776. The increase in local revenues is a result of increased property values. The increase in state revenues is a result of increased state aid due to increased students and formula changes. The increase in the federal program revenues was due to receiving the following grants: ESEA Title IV Safe and Drug Free School Grant, Head Start Grant, and i3 Early College Expansion Partnership.

The General Fund is the chief operating fund of the district. As of August 31, 2016, the fund balance of the general fund was \$87,082,132. The unassigned balance of \$31,163,163 or 35.79% of this total amount is available for spending at the government's discretion. Of the current ending fund balances, the following categories are recorded and for the primary use noted in accordance with GASB No. 54:

- \$2,317,895 is recorded as nonspendable for inventories and deferred expenditures;
- \$10,158,932 is recorded as Restricted; \$4,415,818 in Food Service and \$5,743,114 in other State programs;
- \$19,000,00 is recorded as committed for Construction;
- \$3,000,000 is recorded as committed for capital expenditures for equipment for new schools;
- \$10,567,142 is recorded as committed for sick leave payoff;
- \$1,875,000 is recorded as assigned for E-Rate and other items;
- 31,163,163 is the remaining fund balance and is recorded as unassigned.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. In addition, the school board approved several increases in appropriations to prevent budget overruns. With these adjustments, actual expenditures were below final budget amounts.

CAPITAL ASSETS

At the end of fiscal year 2016, the District had invested \$688,071,607 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

		Activities 2015	Activities 2016
Capita	al Assets:		
	Land	\$ 17,461,487	\$ 20,370,234
	Buildings & Improvements	316,525,801	489,047,166
	Furniture & Equipment	43,530,191	44,283,996
	Vehicles	14,655,098	14,533,672
	Library Books	351,794	358,671
	Construction in Progress	413,171,576	250,712,565
	Infrastructure	18,106,733	18,244,951
	Total Capital Assets at Historical Cost	823,802,680	837,551,255
	Less: Accumulated Depreciation	141,020,169	149,479,648
	Net Capital Assets	\$ 682,782,511	\$ 688,071,607

More detailed information about the District's capital assets is presented in the notes to the financial statements.

LONG TERM OBLIGATION ACTIVITY

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ending August 31, 2016, are as follows:

Table A-5

					Amt Due in	
Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	One Year	Rating
General Obligation Bonds	\$330,665,000	\$(8,935,000)	\$14,400,000	\$308,217,801	\$13,935,000	AAA
Accretion	887,801	82,567	320,000	650,368	-	
QSCB Notes Payable	19,655,000	-	1,775,000	17,880,000	1,775,000	
QZAN – Tax Note Payable	16,600,000	-	675,000	15,585,000	1,085,000	
Sick Leave	10,811,306	4,199,286	4,443,450	10,587,142	-	
Total Governmental Activities	\$378,679,107	\$(4,653,147)	\$22,013,450	\$352,012,510	\$16,795,000	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2016 budget preparation is \$3.9 billion up \$136 million or 3.5%.
- The District's 2016 refined average daily attendance is expected to be 30,117. Growth was projected to reflect increases due to district's attendance program.

These indicators were taken into account when adopting the general fund budget for 2016. Amounts available for appropriation in the general fund budget are \$373 million. Property values continue to rise, but at a slower pace. The district will examine the budget for 2017 to take into account both the federal and state fiscal concerns.

Expenditures are budgeted to rise to \$373 million in the general fund. The district anticipates using the remainder of the debt service fund balance to pay bonds. The largest increments are increased staffing and teacher/staff salary schedule adjustments, and allocation for construction. Increased wage and cost of living adjustments were made to this year's salary schedules. These competitive salary schedule adjustments allowed the District to open the 2017 school year with few teacher vacancies. The District has continued our highly successful College, Career and Technology Academy, Thomas Jefferson T-Stem Early College High School and our partnership with the county Head Start program.

If these estimates are realized, the District's budgetary general fund's fund balance is not expected to change appreciably by the close of 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and investors and creditors with a general overview of the District's finances and to demonstrate 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.

This page is left blank intentionally.

Basic Financial Statements

This page is left blank intentionally.

STATEMENT OF NET POSITION AUGUST 31, 2016

Data Control		Governmental	Bi	isiness-type		
Codes		Activities	Dt	Activities		Total
	ASSETS:				_	
1110	Cash and Cash Equivalents	\$ 111,840,165	\$	176,722	\$	112,016,887
1120	Current Investments	5,215				5,215
1225	Property Taxes Receivable (Net)	7,226,346				7,226,346
1240	Due from Other Governments	32,351,512				32,351,512
1250	Accrued Interest	65,499				65,499
1290	Other Receivables (Net)	992,911				992,911
1300	Inventories	2,317,896				2,317,896
1410	Unrealized Expenses Capital Assets:	840,739				840,739
1510	Land	20,370,235				20,370,235
1520	Buildings and Improvements, Net	396,433,982				396,433,982
1530	Furniture and Equipment, Net	16,646,494				16,646,494
1560	Library Books and Media, Net	181,708				181,708
1580	Construction in Progress	250,712,565				250,712,565
1590	Infrastructure, Net	3,735,626				3,735,626
1000	Total Assets	843,720,893		176,722	_	843,897,615
	DEFERRED OUTFLOWS OF RESOURCES:					
1701	Deferred Outflow Charges on Refunding, Net	20,696,657				20,696,657
1705	Deferred Outflow Related to Pensions	32,254,994				32,254,994
1700	Total Deferred Outflows of Resources	52,951,651			_	52,951,651
	LIABILITIES:					
2110	Accounts Payable	2,886,249		880		2,887,129
2120	Short-Term Debt Payable	2,860,000				2,860,000
2140	Interest Payable	1,136,641				1,136,641
2165	Accrued Liabilities	18,917,514				18,917,514
2180	Due to Other Governments	1,631,756				1,631,756
2190	Due to Student Groups	1,638,250				1,638,250
2300	Unearned Revenue	1,834,616				1,834,616
	Noncurrent Liabilities:					
2501	Due Within One Year	13,935,000				13,935,000
2502	Due in More Than One Year	335,217,509				335,217,509
2540	Net Pension Liability	65,318,190			_	65,318,190
2000	Total Liabilities	445,375,725		880	_	445,376,605
	DEFERRED INFLOWS OF RESOURCES:					
2601	Unamortized Premium on Bonds	45,465,704				45,465,704
2605	Deferred Inflow Related to Pensions	14,174,844				14,174,844
2600	Total Deferred Inflows of Resources	59,640,548			_	59,640,548
	NET POSITION:					
3200	Net Investment in Capital Assets	337,554,721				337,554,721
	Restricted For:					
3820	State and Federal Programs	6,079,898				6,079,898
3850	Debt Service	2,882,111				2,882,111
3890	Other Purposes	17,289,920		175,842		17,465,762
3900	Unrestricted	27,849,621				27,849,621
3000	Total Net Position	\$ <u>391,656,271</u>	\$	175,842	\$_	391,832,113

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

			1		3	4		5
				Program Revenues				
Data				-		Operating		Capital
Control			European a		Charges for	Grants and		Grants and
Codes	Functions/Programs	_	Expenses	-	Services	Contributions	_	Contributions
11	Governmental Activities: Instruction	ф	107 050 469	¢	20 671	¢ 40 516 005	ው	22.000
12	Instruction Instructional Resources and Media Services	\$	197,250,468	\$	29,671	\$ 42,516,285	\$	22,990 869
			5,078,660		1,065	888,219		
13	Curriculum and Staff Development		9,120,496		1,382	5,664,703		480
21	Instructional Leadership		9,808,886		1,107	4,342,494		903
23	School Leadership		19,183,949		4,006	2,697,912		3,267
31	Guidance, Counseling, & Evaluation Services		14,086,026		1,605	4,414,760		1,309
32	Social Work Services		3,150,677		403	829,152		328
33	Health Services		4,199,267		917	515,922		748
34	Student Transportation		6,881,041		1,685	338,936		1,374
35	Food Service		23,062,749		255,737	23,635,893		
36	Cocurricular/Extracurricular Activities		12,476,255		322,276	1,310,917		964
41	General Administration		8,825,144		1,849	693,018		142,794
51	Facilities Maintenance and Operations		35,009,663		8,922	1,497,840		7,065
52	Security and Monitoring Services		3,399,986		2,046	160,495		644
53	Data Processing Services		3,309,144		784	254,595		639
61	Community Services		1,976,164		132	1,412,844		108
72	Interest on Long-term Debt		13,458,715			4,723,420		11,978,999
73	Bond Issuance Costs and Fees		352,486					
81	Capital Outlay		430,523		16	398,506		13
93	Payments Related to Shared Services Arrangem	ent	330,338					
99	Other Intergovernmental Charges		726,185					
TG	Total Governmental Activities	_	372,116,822	-	633,603	96,295,911	_	12,163,494
	Business-type Activities:							
01	College for All		28,430		132,296			
02	Digital Billboard		2,200		24,877			
ТВ	Total Business-type Activities	_	30,630	-	157,173			
TP	Total Primary Government	\$_	372,147,452	\$	790,776	\$ 96,295,911	\$	12,163,494
MT DT IE GC MI TR CN NB PA NE		Pro Pro Inv Gra Mis T O Net Prior Net	eral Revenues: operty Taxes, Le perty Taxes, Le estment Earning ants and Contrib scellaneous total General Re change in Net P Position - Begin Position - Begin Position - Endin	evie gs outic ever ositi ning nent	d for Debt Serv ons Not Restrict nues on on		ogran	15

6 7 8

Net (Expense) Revenue and Changes in Net Position

_	Governmental Activities	B 	Business-type Activities Tot		Total
\$	(154,681,522)			\$	(154,681,522)
	(4,188,507)				(4,188,507)
	(3,453,931)				(3,453,931)
	(5,464,382)				(5,464,382)
	(16,478,764)				(16,478,764)
	(9,668,352)				(9,668,352)
	(2,320,794)				(2,320,794)
	(3,681,680)				(3,681,680)
	(6,539,046)				(6,539,046)
	828,881				828,881
	(10,842,098)				(10,842,098)
	(7,987,483)				(7,987,483)
	(33,495,836)				(33,495,836)
	(3,236,801)				(3,236,801)
	(3,053,126)				(3,053,126)
	(563,080)				(563,080)
	3,243,704				3,243,704
	(352,486)				(352,486)
	(31,988)				(31,988)
	(330,338)				(330,338)
_	(726,185)				(726,185)
-	(263,023,814)			_	(263,023,814)
		\$	103,866		103,866
		Ψ	22,677		22,677
-			126,543	-	126,543
_	(263,023,814)	_	126,543	_	(262,897,271)
	46,307,604				46,307,604
	9,065,830				9,065,830
	513,127				513,127
	234,156,158				234,156,158
_	1,970,310			_	1,970,310
	292,013,029			_	292,013,029
	28,989,215		126,543		29,115,758
	356,122,280		49,299		356,171,579
	6,544,777				6,544,777
¢-	362,667,057	<u> </u>	49,299	<u> </u>	362,716,356
\$_	391,656,272	\$	175,842	\$_	391,832,114

BALANCE SHEET - GOVERNMENTAL FUNDS AUGUST 31, 2016

Data			10		50 Dobt
Data Contro	1		General		Debt Service
Codes			Fund		Fund
00000	ASSETS:	_			T UNU
1110	Cash and Cash Equivalents	\$	93,983,277	\$	348,518
1120	Current Investments	Ψ	5,215	Ψ	
1225	Taxes Receivable, Net		6,165,613		1,060,732
1240	Due from Other Governments		21,537,346		
-	Accrued Interest		65,498		
	Due from Other Funds		2,107,984		46,920,391
1290	Other Receivables		720,103		
1300	Inventories		2,317,896		
1410	Unrealized Expenditures		840,739		
1000	Total Assets	_	127,743,671		48,329,641
		=			
	LIABILITIES:				
	Current Liabilities:				
2110	Accounts Payable	\$	2,070,207	\$	
2150	Payroll Deductions & Withholdings		806,259		
2160	Accrued Wages Payable		16,438,432		
2170	Due to Other Funds		14,996,459		44,224,920
2180	Due to Other Governments		11,953		1,528,796
2190	Due to Student Groups		250		
2300	Unearned Revenue	_	172,366		
2000	Total Liabilities		34,495,926		45,753,716
	DEFERRED INFLOWS OF RESOURCES:				
	Deferred Revenue	_	6,165,613		1,060,733
2600	Total Deferred Inflows of Resources	_	6,165,613		1,060,733
	FUND BALANCES:				
0.44.0	Nonspendable Fund Balances:		0.017.005		
3410	Inventories		2,317,895		
0450	Restricted Fund Balances:		10 150 000		
3450	Federal/State Funds Grant Restrictions		10,158,932		
3480 3490	Retirement of Long-Term Debt Other Restrictions of Fund Balance				1,515,192
3490	Committed Fund Balances:				
3510	Construction		28 000 000		
			28,000,000		
3530 3545	Capital Expenditures for Equipment Other Committed Fund Balance		3,000,000 10,567,142		
5545	Assigned Fund Balances:		10,307,142		
3590	Other Assigned Fund Balance		1,875,000		
3600	Unassigned		31,163,163		
3000	Unassigned, Reported in Nonmajor:		51,105,105		
3610	Special Revenue Funds				
3000	Total Fund Balances	_	87,082,132		1,515,192
0000		_	57,002,102		1,010,102
	Total Liabilities, Deferred Inflow				
4000	of Resources and Fund Balances	\$	127,743,671	\$	48,329,641
		¥		¥	

98

	60 Capital Projects Fund	Other Governmental Funds	_	98 Total Governmental Funds
\$	16,440,540	\$ (5,577,612)	\$	105,194,723
				5,215
				7,226,345
		10,814,166		32,351,512
				65,498
	12,194,678	170,171 109,655		61,393,224 843,294
	13,536			2,317,896
				840,739
	28,648,754	5,516,380		210,238,446
_				
\$	389,027	\$ 414,504	\$	2,873,738
				806,259
		1,666,952		18,105,384
	2,200,168	32,650		61,454,197
	242	90,765 1,638,000		1,631,756 1,638,250
		1,662,250		1,834,616
	2,589,437	5,505,121	_	88,344,200
	,, -		_	
				7,226,346
			_	7,226,346
			_	
				2,317,895
				10,158,932
				1,515,192
	26,059,317	11,259		26,070,576
				28,000,000
				3,000,000
				10,567,142
				1,875,000
			_	31,163,163
	26,059,317	11,259	_	114,667,900
\$	28,648,754	\$ 5,516,380_	\$_	210,238,446

60

This page is left blank intentionally.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION AUGUST 31, 2016

Total fund balances - governmental funds balance sheet \$	114,667,900
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds. Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. The assets and liabilities of internal service funds are included in governmental activities in the SNP. Payables for bond principal which are not due in the current period are not reported in the funds. Payables for bond interest which are not due in the current period are not reported in the funds. Payables for notes which are not due in the current period are not reported in the funds. Payables for compensated absences which are not due in the current period are not reported in the funds. Other long-term assets are not available to pay for current period expenditures and are deferred in the funds. Recognition of the District's proportionate share of the net pension liability is not reported in the funds. Deferred Resource Inflows related to the pension plan are not reported in the funds. Recognid gifference	688,071,604 7,226,345 6,846,658 (307,330,000) (1,787,009) (33,465,000) (10,567,142) (24,769,046) (65,318,190) (14,174,844) 32,254,994 2
Net position of governmental activities - Statement of Net Position \$	391,656,272

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED AUGUST 31, 2016

Data		10	50
Data		Conoral	Debt
Contro		General	Service
Codes	-	Fund	Fund
5700	REVENUES:	¢ 40,400,000	ф 0,000 F00
5700	Local and Intermediate Sources	\$ 48,488,003	\$ 9,039,530
	State Program Revenues	244,842,173	16,702,419
	Federal Program Revenues	28,469,616	
5020	Total Revenues	321,799,792	25,741,949
	EXPENDITURES:		
	Current:		
0011	Instruction	157,345,171	
0012	Instructional Resources and Media Services	4,932,411	
0013	Curriculum and Staff Development	3,603,690	
0021	Instructional Leadership	5,737,957	
0023	School Leadership	16,890,831	
0031	Guidance, Counseling, & Evaluation Services	9,770,445	
0032	Social Work Services	2,306,599	
0033	Health Services	3,704,636	
0034	Student Transportation	6,536,699	
0035	Food Service	22,057,877	
0036	Cocurricular/Extracurricular Activities	11,271,557	
0041	General Administration	7,238,534	
0051	Facilities Maintenance and Operations	34,593,193	
0052	Security and Monitoring Services	3,811,722	
0053	Data Processing Services	3,240,651	
0061	Community Services	514,225	
	Principal on Long-term Debt		17,250,000
	Interest on Long-term Debt		14,403,694
	Bond Issuance Costs and Fees		352,486
	Capital Outlay	918,704	
	Payments to Shared Service Arrangements	330,338	
	Other Intergovernmental Charges	726,185	
6030	Total Expenditures	295,531,425	32,006,180
0000			
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	26,268,367	(6,264,231)
	·		
	Other Financing Sources and (Uses):		
7911	Capital-Related Debt Issued (Regular Bonds)		107,785,000
7912	Sale of Real or Personal Property	46,729	
7915	Transfers In	49,800,908	18,968,552
7916	Premium or Discount on Issuance of Bonds		17,394,918
8911	Transfers Out	(66,174,260)	(12,838,200)
8940	Payment to Bond Refunding Escrow Agent		(124,834,511)
	Total Other Financing Sources and (Uses)	(16,326,623)	6,475,759
	Net Change in Fund Balances	9,941,744	211,528
'	č		,
0100	Fund Balances - Beginning	72,487,684	1,525,389
1300	Prior Period Adjustment	4,652,704	(221,725)
	Fund Balances - Beginning, as Restated	77,140,388	1,303,664
3000	Fund Balances - Ending	\$ 87,082,132	\$ 1,515,192

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 1,044,185 	\$	\$ 58,713,004 262,167,850
	32,921,306	61,390,922
1,044,185	33,685,850	382,271,776
	19,204,928	176,550,099
	310,625	5,243,036
	4,862,839	8,466,529
	3,302,220	9,040,177
	215,199	17,106,030
	2,777,510 599,684	12,547,955 2,906,283
	183,803	3,888,439
		6,536,699
	80,172	22,138,049
		11,271,557
	141,286	7,379,820
	52,746	34,645,939
	'	3,811,722
		3,240,651
	1,351,204	1,865,429
		17,250,000
		14,403,694
		352,486
12,353,377	604,394	13,876,475
		330,338
		726,185
12,353,377	33,686,610	373,577,592
(11,309,192)	(760)	8,694,184
		107,785,000 46,729
14,128,754		82,898,214
		17,394,918
(3,885,753)		(82,898,213)
		(124,834,511)
10,243,001		392,137
(1,066,191)	(760)	9,086,321
27,117,154	12,175	101,142,402
8,354	(156)	4,439,177
27,125,508	12,019	105,581,579
\$ 26,059,317	\$ 11,259	\$ 114,667,900

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2016

Net change in fund balances - total governmental funds \$	9,086,321
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA. The depreciation of capital assets used in governmental activities is not reported in the funds. The gain or loss on the sale of capital assets is not reported in the funds. Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. Bond issuance costs and similar items are amortized in the SOA but not in the funds. The accretion of interest on capital appreciation bonds is not reported in the funds. (Increase) decrease in accrued interest from beginning of period to end of period. The net revenue (expense) of internal service funds is reported with governmental activities. Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds. Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	16,841,544 (11,471,141) (81,309) (3,457) 17,250,000 578,357 237,433 129,189 (798,201) 244,164 (125,179,918)
Bond premiums are reported in the funds but not in the SOA, but are reported as current resources in the rands. Pension contributions made after the measurement date but in current FY were de-expended and reduced NP Pension expense relating to GASB 68 is recorded in the SOA but not in the funds. Rounding difference	(123,173,310) 124,834,511 18,872,297 (21,550,573) (2) 28,989,215

STATEMENT OF NET POSITION PROPRIETARY FUNDS AUGUST 31, 2016

Data Contro Codes	ASSETS:	Nonmajor Enterprise Funds		Internal Service Funds
1110	Current Assets:	¢ 170 700	¢	0.045.440
1110	Cash and Cash Equivalents Receivables:	\$ 176,722	\$	6,645,449
1260	Due from Other Funds			70,428
1290	Other Receivables (net)			149,617
1200	Total Current Assets	176,722		6,865,494
	Noncurrent Assets:			
	Capital Assets:			
1530	Furniture and Equipment			89,058
1570	Accumulated Depreciation			(80,053)
	Total Noncurrent Assets			9,005
1000	Total Assets	176,722		6,874,499
	LIABILITIES:			
	Current Liabilities:			
2110	Accounts Payable	\$ 880	\$	12,515
2160	Accrued Wages Payable			5,870
2170	Due to Other Funds			9,456
	Total Current Liabilities	880		27,841
2000	Total Liabilities	880		27,841
	NET POSITION:			
3800	Restricted	175,842		6,846,658
3000	Total Net Position	\$ 175,842	\$	6,846,658

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED AUGUST 31, 2016

Data Control <u>Codes</u> OPERATING REVENUES:	Nonmajor Enterprise Funds	Internal Service Funds
5700 Local and Intermediate Sources	\$ 157,173	\$ 35,966,126
5020 Total Revenues	157,173	35,966,126
OPERATING EXPENSES:		
6100 Payroll Costs		143,932
6200 Professional and Contracted Services	10,916	36,221,822
6300 Supplies and Materials	4,823	61,678
6400 Other Operating Costs	14,891	336,896
6030 Total Expenses	30,630	36,764,328
Income (Loss) before Contributions and Transfers	126,543	(798,202)
7915 Transfers In		1,675,000
8911 Transfers Out		(1,675,000)
1300 Change in Net Position	126,543	(798,202)
0100 Total Net Position - Beginning	49,299	7,644,860
3300 Total Net Position - Ending	\$ 175,842	\$ 6,846,658

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED AUGUST 31, 2016

	E	Enterprise Funds	Internal Service Funds	Totals
Cash Flows from Operating Activities:				101015
Cash Received from Customers	\$	157,173 \$	36,200,358 \$	36,357,531
Cash Received from Grants	•			
Cash Receipts (Payments) for Quasi-external				
Operating Transactions with Other Funds				
Cash Payments to Employees for Services			(150,288)	(150,288)
Cash Payments to Other Suppliers for Goods and Services		(29,750)	(37,464,585)	(37,494,335)
Cash Payments for Grants to Other Organizations				
Other Operating Cash Receipts (Payments)				
Net Cash Provided (Used) by Operating Activities		127,423	(1,414,515)	(1,287,092)
Cash Flows from Non-capital Financing Activities:				
Transfers From (To) Primary Government				
Transfers From (To) Other Funds				
Net Cash Provided (Used) by Non-capital Financing Activities				
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Issuance of Long-term Debt				
Proceeds from Sale of Capital Assets				
Contributed Capital				
Net Cash Provided (Used) for Capital & Related Financing Activities				
Cash Flows from Investing Activities:				
Purchase of Investment Securities				
Interest and Dividends on Investments				
Net Cash Provided (Used) for Investing Activities				
Net Increase (Decrease) in Cash and Cash Equivalents		127,423	(1,414,515)	(1,287,092)
Cash and Cash Equivalents at Beginning of Year		49,299	8,059,964	8,109,263
Cash and Cash Equivalents at End of Year	\$	176,722 \$	6,645,449 \$	6,822,171
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$	126,543 \$	(798,202) \$	(671,659)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation				
Provision for Uncollectible Accounts				
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables				
Decrease (Increase) in Due From Other Funds			234,232	234,232
Decrease (Increase) in Prepaid Expenses				
Increase (Decrease) in Accounts Payable		800	(279,002)	(278,202)
Increase (Decrease) in Payroll Deductions				
Increase (Decrease) in Accrued Wages Payable			(402)	(402)
Increase (Decrease) in Due to Other Funds			(571,141)	(571,141)
Increase (Decrease) in Due to Other Governments				
Increase (Decrease) in Accrued Expenses Increase (Decrease) in Unearned Revenue				
Total Adjustments		800	(616,313)	(615,513)
Net Cash Provided (Used) by Operating Activities	\$	127,343 \$	(1,414,515) \$	(1,287,172)
Not each a royada (osca) by operating Adimiles	Ψ	ψ	ψ	(1,207,172)

The accompanying notes are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS AUGUST 31, 2016

Data Control <u>Codes</u> ASSETS:	Agency Funds
1110 Cash and Cash Equivalents	\$ 751,375
1000 Total Assets	751,375
LIABILITIES: Current Liabilities: 2190 Due to Student Groups 2000 Total Liabilities	\$ <u>751,375</u> 751,375
NET POSITION:	
3000 Total Net Position	\$

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

A. <u>Summary of Significant Accounting Policies</u>

The basic financial statements of Pharr-San Juan-Alamo Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

- 2. Basis of Presentation, Basis of Accounting
 - a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

The District reports the following major enterprise funds:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State 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 are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. 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 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property 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.

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$100 is used.

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

	Estimated
Asset Class	Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

g. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave in a On retirement under TRS if an employee had at least 10 years of continuous service with the district, they are reimbursed for local leave based on when it was accumulated. Fifty percent of the days of local leave accumulated prior to September 1, 2010 is reimbursed at the employee's daily rate of pay as of the 2009-10 school year and local leave accumulated after September 1, 2010 is reimbursed at the rate of \$100 per day for professional employees and \$50 per day for paraprofessional/auxiliary employees.

h. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

- i. Use of Estimates The preparation of financial statements in conformity with GAAP requires the use of management's estimates.
- j. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

k. Fund Balances - Governmental Funds Fund balances of the governmental funds are classified as follows:

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

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Committed fund balance amounts are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

I. Net Position Flow Assumption

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

m. Fund Balance Flow Assumptions

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

4. 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' 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.

5. New Accounting Standards Adopted

In fiscal year 2016, the District adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- -- Statement No. 72, Fair Value Measurement and Application
- -- Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisons of GASB Statements 67 and 68
- -- Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
- -- Statement No. 79, Certain External Investment Pools and Pool Participants
- a. Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes.

This Statement generally requires investments to be measured at fair value. An investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

The adoption of Statement No. 72 has no impact on the District's financial statements.

b. Statement No. 73 objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and non-employer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

- 1) Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
- 2) Accounting and financial reporting for separately financed specific liabilities of individual employers and non-employer contributing entities for defined benefit pensions.
- 3) Timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation.

The requirements of this Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

The adoption of Statement No. 73 has no impact on the District's financial statements.

c. Statement No. 76 identifies in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting* Principles *for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

The adoption of Statement No. 76 has no impact on the District's financial statements.

d. Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for* Certain *Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

The adoption of Statement No. 79 has no impact on the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

- B. Compliance and Accountability
 - 1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of financerelated legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

	Deficit		
Fund Name	Amount	<u>Remarks</u>	
None reported	Not applicable	Not applicable	

C. <u>Deposits and Investments</u>

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$112,768,268 and the bank balance was \$116,760,893. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016, were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: BBVA Compass
- b. The amount of securities pledged as of the date of the highest combined balance on deposit was \$96,000,000.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$73,543,856 and occurred during the month of September, 2015.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

Custodial Credit Risk - Deposits Custodial Credit Risk is the risk that in the event of a bank failure, the deposits from the District may not be covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution and the pledging financial institution and the pledging financial institution and the pledging financial institution

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions:

- 1)Obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, as permitted by Government Code 2256.009
- 2)Certificates of deposit and share certificates as permitted by Government Code 2256.010
- 3)Fully collateralized repurchase agreements as permitted by Government Code 2256.011
- 4)A securities lending program, as permitted by Government Code 2256.0115
- 5)Banker's accpetances as permitted by Government Code 2256.012
- 6)Commercial paper as permitted by Government Code 2256.013
- 7)No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014
- 8)A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria
- and eligibility requirements as permitted by Government Code 2256.015
- 9)Public funds investment pools as permitted by Government Code 2256.016

Credit risk is the risk that an issuer or other 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. Information on the credit rating and credit risk associated with debt securities (excluding U.S. government obligations and obligations guaranteed by the full faith and credit of the U.S. government), external investment pools, money market funds, bond mutual funds and other pooled investments of fixed-income securities at year-end is required.

State law and the District's Investment Policy restrict depository time and demand deposits to those fully collateralized or FDIC insured from eligible depositories (banks) doing business in Texas. By policy, depository CDs are limited to maturities not exceeding two (2) years and require collateralization to 102% with pledged securities (and 110% if collateral is a mortgage backed security). All collateral is to be held by an independent custodian. The pledging bank is contractually responsible for monitoring and maintaining the collateral margins daily. Brokered CD securities must be FDIC insured and delivered versus payment to the District's depository. The maximum maturity for brokered CDs is one year and FDIC insurance must be verified before purchase. The policy requires that FDIC status of the brokered CD banks be monitored weekly and any mergers exposing the District to non-FDIC coverage requires immediate liquidation.

State law and the District's adopted Investment Policy limit repurchase agreements to primary dealers or banks doing business in Texas. The policy requires independent safekeeping of collateral, and a 102% margin on collateral. Repurchase agreements are limited to a maximum maturity of three (3) years executed under a Master Repurchase Agreement.

Constant dollar, local-government investment pools, as by state law (2256.016) and approved by the adopted Policy are authorized. By state law, all local government pools are rated AAA or equivalent by at least one NRSRD (Nationally Recognized Securities Ratings Organization). All pools by Policy must strive to maintain a \$1 NAV.

Debt issued by states, local governments and other political subdivisions must be general obligations of the issuer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

and be rated A or better by at least one NRSRO and are restricted to two (2) years to maturity.

AAA rated, SEC registered money market mutual funds are authorized if they strive to maintain a \$1 NAV.

The Qualified School Construction Note Funds are defined as a separate sub-portfolio which has a maximum stated maturity and weighted average maturity of five (5) years. The policy restricts all other investments to a maximum stated maturity of two (2) years and also restricts the portfolio to a weighted average maturity of 180 days.

As of August 31, 2016:

Holdings in local government investment pools rates AAA-m represent 2.5% of the total portfolio.
Holdings in fully FDIC insured or collateralized interest bearing bank accounts represent 11.4% of the total portfolio.
Holdings in U.S government agency obligations represented 20.2% of the total portfolio
Holdings in municipal obligations represented 12.8% of the portfolio
Holdings in U.S Treasury obligations represented 2.5% of the total portfolio
Holdings in Commercial Paper obligations represented 42.7% of the total portfolio
Holdings in Cash Repossessions obligations represented 7.9% of the total portfolio

Interest-rate Risk - Interest-rate risk reduces the exposure to changes in interest rates that could adversely affect the value of investments. The District shall use final and weighted-average -maturity data. In order to limit interest and market rate risk from changes in interest rates, the District's adopted Investment Policy sets a maximum maturity of two (2) years. The total portfolio has a dollar weighted average maturity (WAM) limit of 180 days. The investment in the QSCN Reserve Fund has a maturity of 667 days in keeping with its specific policy and goals. The District's investment in TexPool and First Public Lone Star are available daily.

Concentration of Credit Risk - The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act.

Foreign Currency Risk is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "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 amortized cost. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

The District's investments at August 31, 2016 are shown below.

ici s invesiments al August 5 i	, 2010 ale a	SHOWH DEIOW.			
			Weighted Average	Standard & Poor's	Concentration
Description	<u>Rep</u>	orted Amount	<u>Maturity (days)</u>	Rating	of Credit Risk
Lone Star investment Pool	\$	61,699,766	44	AAA-m	64.5%
Texas Term-DAILY		33,950,520	42.8	AAA-m	35.5%
Texpool Investment Fund		2,205	38	AAA-m	0.%
Certificates of Deposit		57,156	N/A	N/A	0.1%
Total Investments	\$	95,709,647			100.00%
	Description Lone Star investment Pool Texas Term-DAILY Texpool Investment Fund Certificates of Deposit	Description Rep Lone Star investment Pool \$ Texas Term-DAILY \$ Texpool Investment Fund \$ Certificates of Deposit	Lone Star investment Pool\$ 61,699,766Texas Term-DAILY33,950,520Texpool Investment Fund2,205Certificates of Deposit57,156	DescriptionReported AmountMaturity (days)Lone Star investment Pool\$ 61,699,76644Texas Term-DAILY33,950,52042.8Texpool Investment Fund2,20538Certificates of Deposit57,156N/A	DescriptionReported AmountMaturity (days)RatingLone Star investment Pool\$ 61,699,76644AAA-mTexas Term-DAILY33,950,52042.8AAA-mTexpool Investment Fund2,20538AAA-mCertificates of Deposit57,156N/AN/A

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "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 investments 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 ("SEC") 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.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

<u>TexPool</u>

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAm by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

TexasTERM

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2016, was as follows:

	Restated Beginning			Ending
Governmental activities:	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land \$	17,461,487 \$	2,908,747 \$	\$	20,370,234
Construction in progress	413,171,576	13,445,953	175,904,964	250,712,565
Total capital assets not being depreciated	430,633,063	16,354,700	175,904,964	271,082,799
Capital assets being depreciated:				
Land Improvements	18,106,733	138,218		18,244,951
Buildings	216,871,798	171,541,356	336,634	388,076,520
Buildings and improvements	99,654,003	1,316,643		100,970,646
Furniture & Equipment	43,530,191	3,209,318	2,455,513	44,283,996
Vehicles	14,655,098	179,396	300,822	14,533,672
Library Books	351,794	6,877		358,671
Total capital assets being depreciated	393,169,617	176,391,808	3,092,969	566,468,456
Less accumulated depreciation for:				
Land Improvements	(13,791,679)	(717,646)		(14,509,325)
Buildings	(64,516,189)	(3,448,329)	(298,339)	(67,666,179)
Buildings and improvements	(22,849,223)	(2,097,781)		(24,947,004)
Furniture & Equipment	(29,721,574)	(4,108,787)	(2,412,499)	(31,417,862)
Vehicles	(10,035,359)	(1,027,779)	(300,822)	(10,762,316)
Library Books	(106,145)	(70,817)		(176,962)
Total accumulated depreciation	(141,020,169)	(11,471,139)	(3,011,660)	(149,479,648)
Total capital assets being depreciated, net	252,149,448	164,920,669	81,309	416,988,808
Governmental activities capital assets, net \$	682,782,511 \$	181,275,369 \$	175,986,273 \$	688,071,607

Internal Service Fund capital assets detailed below are included with the Governmental Activities in the Statement of Net Position and are included in the previous recap of governmental activities' capital assets.

Inter	Internal Service		
	Fund		
\$	27,009		
	(18,004)		
\$	9,005		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

Depreciation was charged to functions as follows:

Instruction	\$	6,200,700
Instructional Resources and Media Services	,	184,143
Curriculum and Staff Development		297,357
Instructional Leadership		317,505
School Leadership		600,789
Guidance, Counseling, & Evaluation Services		440,703
Social Work Services		102,073
Health Services		136,568
Student Transportation		229,579
Food Services		777,520
Extracurricular Activities		395,874
General Administration		258,304
Plant Maintenance and Operations		1,216,817
Security and Monitoring Services		133,873
Data Processing Services		113,817
Community Services		65,517
	\$	11,471,139

E. Interfund Balances and Activities

1. Due To and From Other Funds

Fund	Receivable	Payable
General Fund:		
General Fund \$	5 716,045 \$	1,395,189
Special Revenue Fund		16,814
Debt Service Fund	507,822	3,359,326
Capital Projects Fund	9,667	10,001,613
Internal Service Fund	9,372	70,392
Permanent Fund	865,077	153,125
Total General Fund	2,107,984	14,996,459
Special Revenue Fund:		
General Fund	16,814	
Permanent Fund		12,927
Total Special Revenue Fund	16,814	12,927
Debt Service Fund:		
General Fund	3,288,036	507,521
Debt Service Fund	43,561,065	43,714,499
Capital Projects Fund		2,600
Total Debt Service Fund	46,920,391	44,224,920
Capital Projects Fund:		
General Fund	10,000,277	9,367
Capital Projects Fund	2,190,465	2,190,465
Debt Service Fund	2,600	
Internal Service Fund		36
Permanent Fund	1,336	300
Total Capital Projects Fund	12,194,678	2,200,168

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

Internal Service Fund:				
General Fund				
Permanent Fund			67,990	9,455
Тс	otal Internal Service Fund	_	70,428	9,455
Permenent Fund:				
General Fund			139,845	19,701
Special Revenue Fu	ind		12,927	
Internal Service Fun	d		84	
To	otal Permanent Fund		153,356	19,721
Total		\$	61,463,652 \$	61,463,652

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2016, consisted of the following:

Transfers From	Transfers To	 Amount	Reason
General Fund	General Fund	\$ 1,782,440	Unrestricted indirect cost charges to Child Nutrition Program
General Fund	Debt Service Fund	3,130,351	Transfers for QSCN and QZAN Bon
General Fund	Capital Projects Fund Total	\$ 10,243,000 15,155,791	Transfers for Construction

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2016, are as follows:

Unlimited Tax Refunding Bonds (UTRB)

Unlimited Tax Building Bonds (UTBB)					Outstanding
	Original	Final	Coupon	Original	Balance
Description	Issue	Maturity	Rate %	Issue	09/01/2015
UTBB, Series 2006	10/26/06	08/01/36	5.00-5.125%	167,040,000	60,370,000
UTBB, Series 2007	07/15/07	02/01/37	4.55-5.500%	29,810,000	
UTBB, Series 2007	07/15/07	02/02/37	4.55-5.500%	5,190,000	1,630,000
UTBB, Series 2007/ Accretion	07/15/07	08/01/18	4.55-5.500%	724,972	887,801
UTBB, Series 2008	09/08/08	02/01/38	3.50-5.000%	104,725,000	38,990,000
UTBB, Series 2010	02/01/11	08/31/40	1.50-5.000%	104,475,000	94,585,000
UTRB Series 2014	02/19/14	02/01/29	3.00-5.000%	46,395,000	46,195,000
UTRB Series 2015	02/27/15	02/01/37	3.00-5.000%	88,895,000	88,895,000
UTRB Series 2015	02/28/15	08/01/15	2.00-5.000%	520,000	
Total Bonds Payable				\$ 547,774,972 \$	331,552,801

Interest paid on bonded indebtness during the current year was

\$ 13,835,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

Description	Outstanding Balance 09/01/2015	lssued (Defeased) Current	Accretion Current	Retired Current	Outstanding Balance 08/31/2015	Amounts Due Within One Year
UTBB, Series 2006	60,370,000 \$	\$ (52,035,000) \$	\$	8,335,000 \$	\$	
UTBB, Series 2007						
UTBB, Series 2007	1,630,000			565,000	1,065,000	550,000
UTBB, Series 200/Ac	887,801		82,567	320,000	650,368	
UTBB, Series 2008	38,990,000	(32,210,000)		2,155,000	4,625,000	2,255,000
UTBB, Series 2010	94,585,000	(32,475,000)		2,100,000	60,010,000	2,185,000
UTRB Series 2014	46,195,000				46,195,000	
UTRB Series 2015	88,895,000			150,000	88,745,000	150,000
UTRB Series 2016		107,785,000		1,095,000	106,690,000	8,795,000
Total Bonds Payable	\$331,552,801	\$(\$8,935,000) \$	\$82,567 \$	\$14,720,000 \$	\$307,980,368 \$	\$13,935,000

Governmental Activities General Obligation Bonds Accretion Construction Notes Payable Tax Note Payable Sick and Vacation Leave Total Governmental Activit	\$ [_]	Beginning Balance 330,665,000 \$ 887,801 19,655,000 16,660,000 10,811,306 378,679,107 \$	Increases (8,935,000) \$ 82,567 4,199,286 (4,653,147) \$	Decreases 14,400,000 \$ 320,000 1,775,000 1,075,000 4,443,450 22,013,450 \$	Ending Balance 307,330,000 \$ 650,368 17,880,000 15,585,000 10,567,142 352,012,510 \$	Amount Due Within One Year 13,935,000 1,775,000 1,085,000 16,795,000
Deferred on Refunding of Bonds	\$	13,877,503 \$	8,114,511 \$	1,295,357 \$	20,696,657 \$	
Premium & Discount	\$_	29,944,499 \$	17,394,918 \$	1,873,714 \$	45,465,703 \$	
** Net Pension Liability	\$_	40,623,685 \$	35,019,793 \$	10,325,288 \$	65,318,190 \$	5,722,877

** Per GASB 68, beginning balance for net pension liability includes the restatement of net pension liability at September 1, 2015.

2. Debt Service Requirements

Debt service requirements on long-term debt are as follows:

Year Ending		Principal					
August 31,		CIB	CAB		Interest	Accretion	Total
2017		13,385,000	550,000)	13,367,137	340,000	27,642,137
2018		9,795,000	515,000)	12,924,237	375,000	23,609,237
2019		11,140,000			12,463,237		23,603,237
2020		11,660,000			11,955,037		23,615,037
2021		12,205,000			11,407,312		23,612,312
2022-2026		66,560,000			47,233,310		113,793,310
2027-2031		65,540,000			31,927,785		97,467,785
2032-2036		80,405,000			16,446,544		96,851,544
2037-2041		35,575,000			2,456,670		38,031,670
Subtotal	\$	306,265,000 \$	5 1,065,000	\$	160,181,269 \$	715,000 \$	468,226,269
	_						
CIB		306,265,000					
CAB		1,065,000					
Current Accretion	1	650,368					
Total Bonds Payable	\$_	307,980,368					

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

Year Ending	Notes		QSCB	Total
August 31,	Principal	Interest	Subsidy	Debt Service
2017	2,860,000	1,604,426	(1,331,862)	1,528,138
2018	2,865,000	1,600,185	(1,331,862)	3,137,564
2019	2,870,000	1,595,924	(1,331,862)	3,134,062
2020	2,875,000	1,591,643	(1,331,862)	3,134,781
2021	2,875,000	1,126,979	(914,955)	3,087,024
2022-2026	14,580,000	2,955,641	(2,241,213)	15,294,428
2027-2031	4,540,000	35,469		4,575,469
\$_	33,465,000 \$	10,510,267 \$	(8,483,616) \$	33,891,466

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 215, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments.

On February 17, 2016, \$107,785,000 in Unlimited Tax Refunding Bonds with a blended interest rates of 3.02% were issued to currently refund \$52,035,000 Unlimited Tax School Building and Refunding Bonds, Series 2006 with an interest rate of 5.125%, to advance refund \$32,210,000 of Unlimited Tax School Building Bonds, Series 2008 with an interest rate of 5.00%, and \$32,475,000 of Unlimited Tax School Building Bonds, Series 2010 with an interest rate of 5.00%. The net proceeds of \$125,790,280.05 (principal amount of \$107,785,000.00, plus net premium of \$18,005,280.05, less underwriters' discount of \$599,580.34) were wire transferred to the escrow agent to be dispersed. The cash deposit and certificates will be transferred into an "Escrow Fund" to be applied in accordance with the terms of the escrow agreement for the defeasance of the Series 2006, 2008 and 2010 bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases total debt service payments over the next 24 years by \$19,947,855.28 resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$15,669,119.97.

G. <u>Risk Management</u>

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The TRS 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

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.

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' 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 www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. 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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service 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 in (1.) above.

4. 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' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rat	Contribution Rates					
	2015	2016				
Member	6.7%	7.2%				
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%				
Employers	6.8%	6.8%				
District's 2016 Employer Contributions \$	5,471,493					
District's 2016 Member Contributions \$	12,807,789					
NECE 2015 On-Behalf Contributions to District \$	9,328,510					

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 General Appropriations Act (GAA).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

As the non-employer contributing entity for public education and junior colleges, 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 TRS pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

- --- When employing a retiree of the TRS 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 instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- 5. Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
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.

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

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 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

	Target	Long-term Expected Geometric Real Rate of	Expected Contribution to Long-term Portfolio
	Allocation	Return	Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflat. Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity _	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

from the conversion between arithmetic and geometric mean returns.

7. 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 2015 net pension liability.

	1%		1%
	Decrease		Increase in
	Discount R		Discount Rate
District's proportionate	7%	8%	9%
District's proportionate share of the net pension liability	\$ 102,341,	292 \$ 65,318,190	\$ 34,480,246

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

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

At August 31, 2016, the District reported a liability of \$65,318,190 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	\$	65,318,190
State's proportionate share of the net pension liability associated		
with the District	_	111,329,915
Total	\$_	176,648,105

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.1847826%. which was an increase (decrease) of 0.0326988% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

- a. The inflation assumption was decreased from 3.00% to 2.50%
- b. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- c. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- d. The payroll growth assumption was lowered from 3.50% to 2.50%

Mortality Assumptions

- e. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- f. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- g. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

h. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

- i. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- j. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- k. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- I. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

m. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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, 2016, the District recognized pension expense of \$15,862,721 and revenue of \$15,862,721 for support provided by the State.

At August 31, 2016, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	 Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 522,501 \$	2,510,236
Changes in actuarial assumptions	2,196,087	2,330,267
Difference between projected and actual investment earnings	16,086,415	9,312,193
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	7,477,605	22,148
District contributions paid to TRS subsequent to the measurement date	 5,972,386	
Total	\$ 32,254,994 \$	14,174,844

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

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

	Pension
Year Ended	Expense
August 31	Amount
2017	\$ 1,910,497
2018	\$ 1,910,497
2019	\$ 1,910,496
2020	\$ 5,014,561
2021	\$ 960,379
Thereafter	\$ 401,335

I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$1,307,462, \$1,248,620, and \$1,227,684, respectively, the active member contributions were \$259,097, \$243,046, and \$246,954, respectively, and the District's contributions were \$1,106,315, \$1,248,620, and \$1,038,810, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$853,726, \$848,633, and \$526,960, respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

J. Employee Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District contributed \$566 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, and terms of coverage and contribution costs are included in the contractual provisions.

In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Blue Cross Blue Shield of Texas, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$400,000 and for aggregate loss. Other Districts and/or their employees contributed to the self-insurance pool which was operated under contractual provisions of Article 4413(32c), Interlocal Cooperation Act. According to the latest actuarial opinion dated , the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

K. <u>Commitments and Contingencies</u>

1. Contingencies

The District participates in 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 collectibility 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 basic financial statements for such contingencies.

2. Litigation

The District is involved in various legal proceedings arising from its operations. The District believes that the outcome of these proceedings , individually and in the aggregate will have no material effect on the District's financial position.

L. Shared Services Arrangements

The District is a participant in a shared service arrangement with McAllen ISD which provides deaf education services to students who are enrolled in the Regional Day School Program for the Deaf. As of June 30, 2016, McAllen ISD allocated expenditures to the amount of \$540,135.

M. Accumulated Unpaid Sick Leave

Reimbursement of leave upon retirement policy changed on September 1, 2010. Pharr-San Juan-Alamo I.S.D. DEC (LOCAL) policy now reads as follows. Local leave accumulated prior to September 1, 2010, shall be reimbursed at the employee's daily rate of pay as of the 2009-10 school year for 50 percent of the number of days accumulated. Local leave accumulated after September 1, 2010, shall be reimbursed at the rate of \$100 per day for professional employees and \$50 per day for paraprofessional/auxiliary employees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

On retirement of certain employees, the District pays any accrued sick leave and vacation leave in a lump sum cash payment to such employee. A summary of changes in the accumulated sick leave and vacation leave liability follows:

Employees retiring from TRS with a least ten years of consecutive service to the District are paid their accumulated leave.

	Sick Leave
Balance, August 31, 2015	\$ 10,811,306
Deduction for change in amount paid in leave benefit policy	4,199,286
Deductions - Payments to Participants	(4,443,450)
Balance, August 31, 2016	\$ 10,567,142

N. Increase (Decrease) in Net Position

For the fiscal year ended August 31, 2016 the fund balance for prior period were adjusted as follows:

Prior Period Adjustments

	(Governmental
Fund Level		Funds
General Fund to to close out prior years Due To State amounts.	\$	(4,670,553)
General Fund to to close out prior years Due To State amounts.		(7)
General Fund to to close out prior years Due To State amounts.		17,856
Total General Fund	_	(4,652,704)
Special Revenue Fund to close out Fund.		(156)
Total Special Revenue Fund	_	(156)
Debt Service Fund to close out Due To State amounts.		221,725
Total Debt Service Fund	_	221,725
Capital Projects Fund to record prior close out refunds.		(8,354)
Total Debt Service Fund	_	(8,354)
Net Increase (Decrease) in Fund Balance	\$	(4,439,489)
	(Governmental
Government Wide Level	_	Activities
Pension prior period adjustment	\$	(1,938,172)
Adjustment to record prior period fixed assets amount.		(167,428)
Total Net Increase (Decrease) in Net Assets	\$	(6,545,089)

O. Fund Balance

Governmental Fund Balances for the district are classified in the following hierarchy:

Nonspendable

Nonspendable Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted

Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation. Federal Laws, Texas Statutes, and local ordinances require that certain revenues be specifically designated for the purposes of food service, federal

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

and state programs, debt service, and capital projects.

Committed

Amounts that can only be used for specific purposes pursuant to approval by formal action by the board.

Assigned

For the General Fund, amounts that are appropriated by the Board or the Board designee that are to be sued for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned fund balances are amounts that are available for any purpose; these amounts can be reported only in the District's General Fund. The unassigned amount as of August 31, 2016 is \$31,163,163. The District's unassigned fund balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local emergencies without borrowing. In circumstances where expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted, committed, assigned, and unassigned. The purpose of the Capital Projects Fund is to pay for voter approved capital projects and the purpose of the Debt Service fund is to account for funds used to pay for the long and short term debt obligations used to fund the District's capital projects.

The District's governmental fund balance designations can be identified as follows:

Constal	Debt	Construction	Other Governmental
General	Service	Fund	Funds
2,317,895			
10,158,932			
	1,515,192		
		26,059,317	11,259
28,000,000			
3,000,000			
10,567,142			
1,875,000			
φφφφ	4 545 400 4		11.050
\$55,918,969_\$	1,515,192 \$	26,059,317 \$	11,259
\$ 83,504,737			
	 28,000,000 3,000,000 10,567,142 1,875,000 \$\$\$\$\$\$\$	General Service 2,317,895 10,158,932 1,515,192 28,000,000 3,000,000 10,567,142 1,875,000 \$ 55,918,969	General Service Fund 2,317,895 10,158,932 1,515,192 1,515,192 26,059,317 28,000,000 3,000,000 10,567,142 1,875,000 \$ 55,918,969 \$ 1,515,192 \$

P. Subsequent Events

For the purposes of reporting subsequent events, management has considered events occurring thru January 27, 2017 the date the report was available to be issued, and none have been noted.

This page is left blank intentionally.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED AUGUST 31, 2016

Data		1	2	3	Variance with Final Budget
Control			d Amounts		Positive
Codes		Original	Final	Actual	(Negative)
	REVENUES:	* 17 00 1 00 7	• • • • • • • • • •	• •• ••• •••	ф о <u>го</u> ооо
5700	Local and Intermediate Sources	\$ 47,624,807	\$ 47,828,141	\$ 48,488,003	\$ 659,862
5800	State Program Revenues	228,421,618	242,670,947	244,842,173	2,171,226
5900	Federal Program Revenues	26,339,721	27,724,239	28,469,616	745,377
5020	Total Revenues	302,386,146	318,223,327	321,799,792	3,576,465
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	152,826,401	161,096,967	157,345,171	3,751,796
0012	Instructional Resources and Media Services	4,406,051	5,094,072	4,932,411	161,661
0013	Curriculum and Staff Development	4,221,943	3,919,343	3,603,690	315,653
	Total Instruction & Instr. Related Services	161,454,395	170,110,382	165,881,272	4,229,110
				· · · ·	
	Instructional and School Leadership:				
0021	Instructional Leadership	5,521,503	5,948,643	5,737,957	210,686
0023	School Leadership	16,340,815	16,993,379	16,890,831	102,548
	Total Instructional & School Leadership	21,862,318	22,942,022	22,628,788	313,234
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	9,587,177	10,280,830	9,770,445	510,385
0032	Social Work Services	2,607,801	2,357,725	2,306,599	51,126
0033	Health Services	3,850,789	3,831,001	3,704,636	126,365
0034	Student (Pupil) Transportation	8,111,544	6,864,431	6,536,699	327,732
0035	Food Services	21,836,749	22,351,803	22,057,877	293,926
0036	Cocurricular/Extracurricular Activities	10,866,738	11,444,514	11,271,557	172,957
	Total Support Services - Student (Pupil)	56,860,798	57,130,304	55,647,813	1,482,491
	Administrative Support Services:				
0041	General Administration	7,611,134	7,322,577	7,238,534	84,043
0011	Total Administrative Support Services	7,611,134	7,322,577	7,238,534	84,043
			,0,011		
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	31,593,273	34,778,108	34,593,193	184,915
0052	Security and Monitoring Services	3,745,938	3,823,069	3,811,722	11,347
0053	Data Processing Services	2,831,857	3,309,414	3,240,651	68,763
	Total Support Services - Nonstudent Based	38,171,068	41,910,591	41,645,566	265,025
	Ancillary Services:				
0061	Community Services	556,510	533,509	514,225	19,284
	Total Ancillary Services	556,510	533,509	514,225	19,284
	Debt Service:				
0071	Principal on Long-Term Debt	612,735	126,512		126,512
0071	Total Debt Service	612,735	126,512		126,512
		012,700	120,012		120,012
	Capital Outlay:				
0081	Capital Outlay	10,044,554	1,310,114	918,704	391,410
	Total Capital Outlay	10,044,554	1,310,114	918,704	391,410

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED AUGUST 31, 2016

		1	2	3	Variance with
Data					Final Budget
Control		Budgeted	Amounts		Positive
Codes		Original	Final	Actual	(Negative)
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member DistSSA	345,000	330,500	330,338	162
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	100,000	100,000		100,000
0099	Other Intergovernmental Charges	984,000	984,000	726,185	257,815
	Total Intergovernmental Charges	1,429,000	1,414,500	1,056,523	357,977
6030	Total Expenditures	298,602,512	302,800,511	295,531,425	7,269,086
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	3,783,634	15,422,816	26,268,367	10,845,551
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property			46,729	46,729
7915	Transfers In	46,976,111	47,040,751	49,800,908	2,760,157
8911	Transfers Out	(50,759,746)	(66,324,386)	(66,174,260)	150,126
7080	Total Other Financing Sources and (Uses)	(3,783,635)	(19,283,635)	(16,326,623)	2,957,012
1200	Net Change in Fund Balance	(1)	(3,860,819)	9,941,744	13,802,563
0100	Fund Balance - Beginning		72,487,684	72,487,684	
1300	Prior Period Adjustment		4,652,704	4,652,704	
0100	Fund Balance - Beginning, as Restated		77,140,388	77,140,388	
3000	Fund Balance - Ending	\$(1)	\$ 73,279,569	\$ 87,082,132	\$ 13,802,563

PHARR-SAN JUAN-ALAMO INDEPENDENT SCHOOL DISTRICT SCHEDULE OF THE DISTRICT'S PROPORTIONATE

SCHEDULE OF THE DISTRICTS PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHER RETIREMENT SYSTEM OF TEXAS LAST TEN FISCAL YEARS *

	20	2016	2015	2014	20	2013	Fi 2012	Fiscal Year	r 2011		2010	20	2009	2008		2007
District's proportion of the net pension liability (asset)	0.18⁄	0.1847826%	0.1520838%	1	I	;	1		;		1	·	;	ł		I
District's proportionate share of the net pension liability (asset)	\$ 65,3	318,190 \$	65,318,190 \$ 40,623,685 \$	I	ج	\$	ł	\$	ł	\$	ł	÷	\$	1	\$	ł
State's proportionate share of the net pension liability (asset) associated with the District	111,	111,329,915	96,703,241	ł	I	1	ł		:		I	I	:	I		:
Total	\$ 176,	<u>648,105</u> \$	\$ <u>176,648,105</u> \$ <u>137,326,926</u> \$:	୍ର ଚ	\$:	ام ا	:	ها ا		\$	ώ.	:	\$:
District's covered-employee payroll	\$ 201,	147,880 \$	201,147,880 \$ 192,095,263 \$	1	' ب	\$	1	\$:	φ	1	\$	\$	I	÷	ł
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		32.47%	21.15%	1	·	1	:		;		;		:	1		1
Plan fiduciary net position as a percentage of the total pension liability		78.43%	83.25%	:	ı	:	1		:		ł	·	:	ł		ł

Note: Only two years of data is presented in accordance with GASB#68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as the presented to be presented as a presented as a presented as the present of the present of the 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."

PHARR-SAN JUAN-ALAMO INDEPENDENT SCHOOL DISTRICT SCHEDULE OF DISTRICT CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS LAST TEN FISCAL YEARS *

								Fis	Fiscal Year	Ŀ								
		2016	2015	2014		2013		2012		2011		2010		2009		2008		2007
Contractually required contribution	⇔	5,722,877 \$ 5,221,984 \$	5,221,984 \$:	÷	;	÷	ł	÷	1	÷	;	÷	1	÷	ł	÷	1
Contributions in relation to the contractually required contribution		(5,722,877) (5,221,984)	(5,221,984)	I		ł		I		ł		ł		ł		ł		ł
Contribution deficiency (excess)	ہ	۳ ۳	ه د	:	ام ا	:	မ နာ	:	_ م	:	ها ا	:	الم م	:	_ م	:	ام ا	
District's covered-employee payroll	\$ \$	\$ 201,147,880 \$ 192,095,263 \$	192,095,263 \$	I	÷	;	÷	ł	÷	;	÷	1	Ŷ	;	÷	:	÷	1
Contributions as a percentage of covered-employee payroll		2.85%	2.72%	:		ł		1		1		ł		1		1		ł

Note: GASB68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year. Note: Only two years of data is presented in accordance with GASB#68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available. In these cases, during the transition period, that information should be presented for as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2016

<u>Budget</u>

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. 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 after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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 end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

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 of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS AUGUST 31, 2016

Data Contro Codes	- 		Special Revenue Funds		Permanent Funds	-	Total Nonmajor Governmental Funds (See Exhibit C-1)
1110	ASSETS:	۴	(F. 070, 70C)	¢	202 124	¢	(5 577 610)
1110	Cash and Cash Equivalents Due from Other Governments	\$	(5,970,736)	\$	393,124	\$	(5,577,612)
1240			10,814,166				10,814,166
1260 1290	Due from Other Funds Other Receivables		16,814 2,462		153,357 107,193		170,171 109.655
1290	Total Assets	_	,	_	,	_	,
1000	TOTAL ASSELS		4,862,706		653,674		5,516,380
2110 2160 2170 2180 2190 2300 2000	LIABILITIES: Current Liabilities: Accounts Payable Accrued Wages Payable Due to Other Funds Due to Other Governments Due to Student Groups Unearned Revenue Total Liabilities	\$	282,267 1,666,952 12,928 861 1,237,448 1,662,250 4,862,706	\$	132,237 19,722 89,904 400,552 642,415	\$	414,504 1,666,952 32,650 90,765 1,638,000 1,662,250 5,505,121
	FUND BALANCES: Restricted Fund Balances:				<u> </u>		
3490	Other Restrictions of Fund Balance Unassigned, Reported in Nonmajor:				11,259		11,259
3610	Special Revenue Funds						
3000	Total Fund Balances	_			11,259		11,259
4000	Total Liabilities and Fund Balances	\$	4,862,706	\$	653,674	\$	5,516,380

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED AUGUST 31, 2016

Data Contro Codes			Special Revenue Funds	_	Permanent Funds	(Total Nonmajor Governmental Funds (See Exhibit C-2)
5700	REVENUES: Local and Intermediate Sources	\$	141,286	¢		\$	141 006
5800	State Program Revenues	φ	623,258	\$		Φ	141,286 623,258
5800 5900	Federal Program Revenues		32,921,306				32,921,306
5020	Total Revenues		33,685,850	_		_	33,685,850
3020	rotainevenues		33,003,030	_		_	33,003,030
	EXPENDITURES:						
	Current:						
0011	Instruction		19,204,928				19,204,928
0012	Instructional Resources and Media Services		310,625				310,625
0013	Curriculum and Staff Development		4,862,839				4,862,839
0021	Instructional Leadership		3,302,220				3,302,220
0023	School Leadership		215,199				215,199
0031	Guidance, Counseling, & Evaluation Services		2,777,510				2,777,510
0032	Social Work Services		599,684				599,684
0033	Health Services		183,803				183,803
0035	Food Service		80,172				80,172
0041	General Administration		141,286				141,286
0051	Facilities Maintenance and Operations		52,746				52,746
0061	Community Services		1,351,204				1,351,204
0081	Capital Outlay		604,394				604,394
6030	Total Expenditures	_	33,686,610	_		_	33,686,610
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures		(760)				(760)
	Net Change in Fund Balances		(760)	_		_	(760)
1200	Hot change in t and balanood		(700)				(100)
	Fund Balances - Beginning		916		11,259		12,175
1300	Prior Period Adjustment		(156)				(156)
	Fund Balances - Beginning, as Restated		760		11,259		12,019
3000	Fund Balances - Ending	\$		\$	11,259	\$	11,259

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS AUGUST 31, 2016

Data			204 ESEA		205		211 ESEA Title I		212 ESEA
Contro			Title IV		Head		Improving	т	itle I, Part C
Code			SDFSC		Start	в	asic Programs		rant Children
0000	[°] ASSETS:		00100		Otart	<u> </u>	asic i lograms	IVIE	
1110	Cash and Cash Equivalents	\$	(54,702)	\$	(1,106,549)	\$	(2,488,620)	\$	(546,051)
1240	Due from Other Governments	Ψ	198,249	Ψ	1,223,793	Ψ	3,156,665	Ψ	743,928
1260	Due from Other Funds				112		16,702		
1290	Other Receivables						1,500		
1000			143,547		117,356		686,247		197,877
					i		,		,
	LIABILITIES:								
	Current Liabilities:								
2110	Accounts Payable	\$	42,264	\$	115,437	\$	99,779	\$	3,443
2160	Accrued Wages Payable		100,810				581,836		193,001
2170	Due to Other Funds		473		1,919		4,000		1,433
2180	Due to Other Governments						632		
2190	Due to Student Groups								
2300	Unearned Revenue								
2000	Total Liabilities		143,547		117,356		686,247		197,877
	FUND BALANCES:								
	Restricted Fund Balances:								
3490									
	Unassigned, Reported in Nonmajor:								
3610	Special Revenue Funds					_			
3000	Total Fund Balances					_			
4000	Total Liabilities and Fund Balances	\$	143,547	\$	117,356	\$	686,247	\$	197,877

EXHIBIT H-3 Page 1 of 3

 224 IDEA-B Formula	225 IDEA-B chool Grant	Care	244 eer and Tech Basic Grant	Г	255 SEA Title II Fraining & Recruiting	Aco	263 ish Language quisition and hancement
\$ (747,326) 1,214,532 	\$ (9,610) 13,715 	\$	(46,767) 54,988 	\$	(221,275) 286,348 	\$	(219,825) 355,847
 467,206	 4,105		8,221		65,073		136,022
\$ 464,167 3,039 467,206	\$ 4,075 30 4,105	\$	 8,077 144 8,221	\$	8,099 56,780 194 65,073	\$	11,553 123,758 711 136,022
\$ 467,206	\$ 4,105	\$	8,221	\$	65,073	\$	136,022

T

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS AUGUST 31, 2016

Data Contro Codes		_	272 MAC Program	_	273 Math and Science Partnerships	_	274 GEAR UP	Н	280 Education for omeless Childr Youth-ARRA
1110	Cash and Cash Equivalents	\$	596,802	\$	(16,448)	\$	(175,019)	\$	
1240	Due from Other Governments		133,936	·	16,131	·	175,390	•	
1260	Due from Other Funds								
1290	Other Receivables				725				
1000	Total Assets		730,738		408		371		
2110 2160 2170 2180 2190 2300 2000	LIABILITIES: Current Liabilities: Accounts Payable Accrued Wages Payable Due to Other Funds Due to Other Governments Due to Student Groups Unearned Revenue Total Liabilities	\$	1,453 729,285 730,738	\$	 408 408	\$	147 224 371	\$	
3490 3610 3000	FUND BALANCES: Restricted Fund Balances: Other Restrictions of Fund Balance Unassigned, Reported in Nonmajor: Special Revenue Funds Total Fund Balances			-		-			
4000	Total Liabilities and Fund Balances	\$	730,738	\$_	408	\$	371	\$	

EXHIBIT H-3 Page 2 of 3

\$	184 	\$ 45	\$			
	184	 45	Ψ	(3,118,175) 3,238,752 120,577	\$ 355,886 (495) 355,391	\$ 55,727 55,727
\$	 184 184	\$ 45 45	\$	44 119,626 907 120,577	\$ 8,959 346,432 355,391	\$ 55,727 55,727
	 184	 45		 120,577	 355,391	\$ 55,727

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS AUGUST 31, 2016

Data Contro	-		409 Texas High School		410 State Textbook		411 Technology		429 ate Funded ecial Revenue
Codes	_		Project		Fund	_	Allotment		Fund
	ASSETS:								
1110	Cash and Cash Equivalents	\$	(2,624)	\$	357,503	\$		\$	52,927
1240	Due from Other Governments		2,387						
1260	Due from Other Funds								
1290	Other Receivables		237						
1000	Total Assets	_		_	357,503	_			52,927
	LIABILITIES:								
	Current Liabilities:								
2110	Accounts Payable	\$		\$		\$		\$	
2160	Accrued Wages Payable								
2170	Due to Other Funds								
2180	Due to Other Governments								
2190	Due to Student Groups								
2300	Unearned Revenue				357,503				52,927
2000	Total Liabilities	_		_	357,503	_			52,927
	FUND BALANCES:								
	Restricted Fund Balances:								
0400	Other Restrictions of Fund Balance								
3490									
0010	Unassigned, Reported in Nonmajor:								
3610	Special Revenue Funds	_				_			
3000	Total Fund Balances	_				-		·	
4000	Total Liabilities and Fund Balances	\$		\$	357,503	\$		\$	52,927

EXHIBIT H-3 Page 3 of 3

_	461 Campus Activity Funds	 480 College for all Iniative	482 School provement acilitators	 483 AVID	_	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$	1,237,448 1,237,448	\$ 123,832 123,832	\$ 1,901 1,901	\$ 	\$	(5,970,736) 10,814,166 16,814 2,462 4,862,706
\$	 1,237,448 1,237,448	\$ 48 5,231 78 118,475 123,832	\$ 1,901 1,901	\$ 	\$	282,267 1,666,952 12,928 861 1,237,448 1,662,250 4,862,706
		 	 	 	_	
\$	1,237,448	\$ 123,832	\$ 1,901	\$ 	\$	4,862,706

Э

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2016

Data Contro		204 ESEA Title IV	205 Head		211 ESEA Title I Improving		212 ESEA ïtle I, Part C
Codes	_	 SDFSC	 Start	B	asic Programs	Mig	grant Children
	REVENUES:						
5700	Local and Intermediate Sources	\$ 	\$ 	\$		\$	
5800	State Program Revenues						
5900	Federal Program Revenues	 1,214,313	 3,384,349		13,549,053		2,891,636
5020	Total Revenues	 1,214,313	 3,384,349	_	13,549,053		2,891,636
	EXPENDITURES:						
	Current:						
0011	Instruction		2,409,740		8,292,300		794,178
0012	Instructional Resources and Media Services				255,181		
0013	Curriculum and Staff Development		27,025		2,213,792		
0021	Instructional Leadership	653,448	185,012		831,817		452,802
0023	School Leadership				16,772		
0031	Guidance, Counseling, & Evaluation Services				631,056		1,604,392
0032	Social Work Services	560,865					38,819
0033	Health Services		19,639				
0035	Food Service		80,172				
0041	General Administration						
0051	Facilities Maintenance and Operations		52,636		110		
0061	Community Services		5,731		1,308,025		1,445
0081	Capital Outlay		604,394				
6030	Total Expenditures	 1,214,313	 3,384,349	_	13,549,053		2,891,636
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures						
1200	•	 	 	_			
0100	Fund Balances - Beginning						
	Prior Period Adjustment						
1000	Fund Balances - Beginning, as Restated						
3000	Fund Balances - Ending	\$ 	\$ 	\$		\$	

EXHIBIT H-4 Page 1 of 3

 224 IDEA-B Formula	Pre	225 IDEA-B school Grant	Ca	244255Career and TechESEA Title IIBasicTraining &GrantRecruiting			Acq	263 sh Language juisition and hancement	
\$ 5,049,315	\$	 59,032	\$	 310,383	\$	 1,144,511	S	6	 1,314,027
 5,049,315		59,032		310,383		1,144,511			1,314,027
4,777,489		59,032		173,772 54,694					497,636
 199,194						1,144,511 			651,207 129,181
 72,632 				 81,917 					
									 36,003
 5,049,315				310,383		 1,144,511			1,314,027
\$ 	\$		\$		\$		ç	<u> </u>	

I.

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2016

		272		273	274
Data			1	Math and	
Contro	l	MAC		Science	
Codes	5	Program	Pa	artnerships	GEAR UP
	REVENUES:	 		<u> </u>	
5700	Local and Intermediate Sources	\$ 	\$		\$
5800	State Program Revenues				
5900	Federal Program Revenues	244,444		119,819	276,720
5020	Total Revenues	 244,444		119,819	 276,720
	EXPENDITURES:				
	Current:				
0011	Instruction				31,731
0012	Instructional Resources and Media Services				
0013	Curriculum and Staff Development			119,819	1,732
0021	Instructional Leadership				
0023	School Leadership				
0031	Guidance, Counseling, & Evaluation Services	80,280			243,257
0032	Social Work Services				
0033	Health Services	164,164			
0035	Food Service				
0041	General Administration				
0051	Facilities Maintenance and Operations				
0061	Community Services				
0081	Capital Outlay				
6030	Total Expenditures	 244,444		119,819	 276,720
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures				
1200	Net Change in Fund Balances	 			
0100	Fund Balances - Beginning				
1300	Prior Period Adjustment				
	Fund Balances - Beginning, as Restated				
3000	Fund Balances - Ending	\$ 	\$		\$

288	289	410	429			
i3 Early College	2016	State	State Funded			
Expansion	Fund	Textbook	Special Revenue			
Partnership	2896	Fund	Fund			
\$	\$	\$	\$			
		620,185	3,073			
3,317,002	46,702					
3,317,002	46,702	620,185	3,073			
1,548,105 658,051 850,766 196,172 63,908 3,317,002	 46,702 	620,945 	 750 2,255 68 			
 \$	 \$	(760) (760) 760 760 \$	 \$			

This page is left blank intentionally.

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2016

	<i>IAJOR SPECIAL REVENUE FUNDS THE YEAR ENDED AUGUST 31, 2016</i>					Total
						Nonmajor
		480		483		Special
Data		College				Revenue
Contro	l	for all				Funds (See
Codes	5	Iniative		AVID		Exhibit H-2)
	REVENUES:	 				
5700	Local and Intermediate Sources	\$ 141,286	\$		\$	141,286
5800	State Program Revenues					623,258
5900	Federal Program Revenues					32,921,306
5020	Total Revenues	 141,286	_			33,685,850
	EXPENDITURES:					
	Current:					
0011	Instruction					19,204,928
0012	Instructional Resources and Media Services					310,625
0013	Curriculum and Staff Development					4,862,839
0021	Instructional Leadership					3,302,220
0023	School Leadership					215,199
0031	Guidance, Counseling, & Evaluation Services					2,777,510
0032	Social Work Services					599,684
0033	Health Services					183,803
0035	Food Service					80,172
0041	General Administration	141,286				141,286
0051	Facilities Maintenance and Operations					52,746
0061	Community Services					1,351,204
0081	Capital Outlay					604,394
6030	Total Expenditures	141,286				33,686,610
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures					(760)
1200	Net Change in Fund Balances	 				(760)
0100	Fund Balances - Beginning			156	6	916
	Prior Period Adjustment			(156	5)	(156)
	Fund Balances - Beginning, as Restated				•	760
3000	Fund Balances - Ending	\$ 	\$		\$	

COMBINING BALANCE SHEET NONMAJOR PERMANENT FUNDS AUGUST 31, 2016

		836		837
Data				
Control				
Codes		Escrow I	E	Scrow II
	ASSETS:			
1110	Cash and Cash Equivalents	\$ (21,742)	\$	8,445
1260	Due from Other Funds			
1290	Other Receivables	59,817		41,270
1000	Total Assets	 38,075		49,715
	LIABILITIES:			
	Current Liabilities:			
2110	Accounts Payable	\$ 15,911	\$	47,195
2170	Due to Other Funds	19,550		
2180	Due to Other Governments	546		
2190	Due to Student Groups	 		
2000	Total Liabilities	36,007		47,195
	FUND BALANCES:			
	Restricted Fund Balances:			
3490	Other Restrictions of Fund Balance	2,068	_	2,520
3000	Total Fund Balances	 2,068		2,520
4000	Total Liabilities and Fund Balances	\$ 38,075	\$	49,715

EXHIBIT H-5

 838 Escrow III	840 Trick D-Treat holarship	 841 General Agency & Trust	F	Total Nonmajor Permanent unds (See xhibit H-1)
\$ 69,131 	\$ 2,928	\$ 334,362 153,357 6,106	\$	393,124 153,357 107,193
 69,131	 2,928	 493,825		653,674
\$ 69,131 69,131	\$ 2,056 2,056	\$ 172 89,358 398,496 488,026	\$	132,237 19,722 89,904 400,552 642,415
\$ 69,131	\$ 872 872 2,928	 \$ 5,799 5,799 493,825	\$	11,259 11,259 653,674

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR PERMANENT FUNDS FOR THE YEAR ENDED AUGUST 31, 2016

	836	837
Data		
Control		
Codes	Escrow I	Escrow II
REVENUES:		
5020 Total Revenues	\$	\$
EXPENDITURES:		
6030 Total Expenditures		
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures		
0100 Fund Balances - Beginning	2,068	2,520
3000 Fund Balances - Ending	\$ 2,068	\$ 2,520

			Total
	840	841	Nonmajor
	Trick	General	Permanent
	O-Treat	Agency	Funds (See
5	Scholarship	& Trust	Exhibit H-2)
\$		\$ <u></u> \$	
	872	5,799	11,259
\$	872	\$ 5,799 \$	11,259

COMBINING STATEMENT OF NET POSITION NONMAJOR ENTERPRISE FUNDS AUGUST 31, 2016

			Enterprise Fund		Enterprise Fund		Total Nonmajor
Data		-				I	Enterprise
Contro	bl		College		Digital	F	unds (See
Codes	3	_	For All		Billboard	E	xhibit D-1)
	ASSETS:						
	Current Assets:						
1110	Cash and Cash Equivalents	\$	153,165	\$	23,557	\$	176,722
	Total Current Assets		153,165		23,557		176,722
1000	Total Assets	-	153,165	_	23,557		176,722
	LIABILITIES:						
	Current Liabilities:						
2110	Accounts Payable	\$		\$	880	\$	880
	Total Current Liabilities	-		-	880		880
2000	Total Liabilities	-		_	880		880
	NET POSITION:						
3800			153,165		22,677		175,842
3000		\$	153,165	\$	22,677	\$	175,842

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED AUGUST 31, 2016

1011	THE TEAH ENDED AUGUST 51, 2010		E a transita a		E at a market a		Tatal
			Enterprise		Enterprise		Total
		_	Fund	_	Fund		Nonmajor
Data		_		-			Enterprise
Contro	bl		College		Digital	I	Funds (See
Codes	8		For All		Billboard	E	Exhibit D-2)
	OPERATING REVENUES:	_		-			· · ·
5700	Local and Intermediate Sources	\$	132,296	\$	24,877	\$	157,173
5020	Total Revenues	_	132,296	_	24,877	_	157,173
	OPERATING EXPENSES:						
6200	Professional and Contracted Services		8,716		2,200		10,916
6300	Supplies and Materials		4,823				4,823
6400	Other Operating Costs		14,891				14,891
6030	Total Expenses	_	28,430	_	2,200	_	30,630
1300	Change in Net Position		103,866		22,677		126,543
0100	Total Net Position - Beginning		49,299				49,299
3300	Total Net Position - Ending	\$	153,165	\$	22,677	\$	175,842

This page is left blank intentionally.

Total

PHARR-SAN JUAN-ALAMO INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED AUGUST 31, 2016

		711 College For All		712 Digital Billboard	_	Nonmajor Enterprise Funds (See Exhibit D-3)
Cash Flows from Operating Activities: Cash Received from Customers	\$	122 206	¢	24 977	¢	157 172
Cash Received from Grants	φ	132,296	\$	24,877	\$	157,173
Cash Receipts (Payments) for Quasi-external						
Operating Transactions with Other Funds						
Cash Payments to Employees						
Cash Payments to Suppliers for Goods and Services		(28,430)		(1,320)		(29,750)
Cash Payments for Grants to Other Organizations						
Other Operating Cash Receipts (Payments)						
Net Cash Provided (Used) by Operating Activities		103,866		23,557	_	127,423
Cash Flows from Non-capital Financing Activities:						
Transfers From (To) Primary Government						
Transfers From (To) Other Funds						
Net Cash Provided (Used) by Non-capital					_	
Financing Activities					_	
Cash Flows from Capital and Related Financing Activities: Proceeds from Issuance of Long-term Debt						
Principal and Interest Paid						
Acquisition or Construction of Capital Assets						
Proceeds from Sale of Capital Assets						
Contributed Capital						
Net Cash Provided (Used) for Capital and					-	
Related Financing Activities					_	
Cash Flows from Investing Activities:						
Purchase of Investment Securities						
Proceeds from Sale and Maturities of Securities						
Interest and Dividends on Investments					_	
Net Cash Provided (Used) for Investing Activities					_	
Net Increase (Decrease) in Cash and Cash Equivalents		103,866		23,557		127,423
Cash and Cash Equivalents at Beginning of Year		49,299				49,299
Cash and Cash Equivalents at End of Year	\$	153,165	\$	23,557	\$_	176,722
Reconciliation of Operating Income to Net Cash						
Provided by Operating Activities: Operating Income (Loss)	¢	102.000	¢	00.677	ተ	126,543
Adjustments to Reconcile Operating Income to Net	\$	103,866	\$	22,677	\$	120,043
Cash Provided by Operating Activities						
Depreciation						
Provision for Uncollectible Accounts						
Change in Assets and Liabilities:						
Increase (Decrease) in Accounts Payable				800		800
Increase (Decrease) in Payroll Deductions						
Increase (Decrease) in Accrued Wages Payable						
Increase (Decrease) in Interfund Payables						
Increase (Decrease) in Due to Other Governments						
Increase (Decrease) in Accrued Expenses						
Increase (Decrease) in Unearned Revenue					_	
Total Adjustments	<u>م</u>		¢	800	^ -	800
Net Cash Provided (Used) by Operating Activities	\$	103,866	\$	23,477	\$_	127,343

COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS AUGUST 31, 2016

_			752		753
Data			Print		
Contro	-		Shop	I	nsurance
Codes	_		Fund		Fund
	ASSETS:				
	Current Assets:				
1110	Cash and Cash Equivalents	\$	32,559	\$	805,808
	Receivables:				
1260	Due from Other Funds				1,313
1290	Other Receivables (net)				140,511
	Total Current Assets		32,559		947,632
	Noncurrent Assets:				
	Capital Assets:				
1530	Furniture and Equipment		62,049		
1570	Accumulated Depreciation		(62,049)		
	Total Noncurrent Assets				
1000	Total Assets		32,559		947,632
	LIABILITIES:				
	Current Liabilities:				
2110	Accounts Payable	\$	4,041	\$	6,164
2160	Accrued Wages Payable	Ψ	5,870	Ψ	
2170	Due to Other Funds		84		
2170	Total Current Liabilities		9,995		6,164
2000	Total Liabilities		9,995		6,164
2000	Total Liabilities				0,104
	NET POSITION:				
3800	Restricted		22,564		941,468
3000	Total Net Position	\$	22,564	\$	941,468

771 Copier Fund		772 Workmen's Compensation	-	Total Internal Service Funds (See Exhibit D-1)
\$ 248,	459 \$	5,558,623	\$	6,645,449
248	<u>2</u> 461	69,115 9,104 5,636,842	-	70,428 149,617 6,865,494
(18	009 004) 005 466	 5,636,842	-	89,058 (80,053) 9,005 6,874,499
2	310 \$ <u>310</u> <u>310</u>	 9,372 9,372 9,372	\$ - -	12,515 5,870 9,456 27,841 27,841
255 \$255		5,627,470 5,627,470	\$	6,846,658 6,846,658

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION INTERNAL SERVICE FUNDS FOR THE YEAR ENDED AUGUST 31, 2016

		752	753
Data		Print	
Contro	l	Shop	Insurance
Codes	6	Fund	Fund
	OPERATING REVENUES:		
5700	Local and Intermediate Sources	\$293,334_	\$33,188,768_
5020	Total Revenues	293,334	33,188,768
	OPERATING EXPENSES:		
6100	Payroll Costs	143,932	
6200	Professional and Contracted Services	82,265	34,584,608
6300	Supplies and Materials	48,631	7,744
6400	Other Operating Costs	506	336,390
6030	Total Expenses	275,334	34,928,742
	Income (Loss) before Contributions and Transfers	18,000	(1,739,974)
7915	Transfers In		1,675,000
8911	Transfers Out		
1300	Change in Net Position	18,000	(64,974)
0100	Total Net Position - Beginning	4,564	1,006,442
3300	Total Net Position - Ending	\$ 22,564	\$ 941,468

771 Copier Fund	772 Workmen's Compensation	Total Internal Service Funds (See Exhibit D-2)
\$ <u>35,104</u>	\$ <u>2,448,920</u>	\$ <u>35,966,126</u>
<u>35,104</u>	2,448,920	<u>35,966,126</u>
		143,932
34,654	1,520,295	36,221,822
5,303		61,678
		<u>336,896</u>
39,957	1,520,295	36,764,328
(4,853)	928,625	(798,202)
	(1,675,000) (746,375)	1,675,000 (1,675,000) (798,202)
260,009	6,373,845	7,644,860
\$255,156	\$5,627,470	\$6,846,658

COMBINING STATEMENT OF CASH FLOWS ALL INTERNAL SERVICE FUNDS FOR THE YEAR ENDED AUGUST 31, 2016

	752 Print	753	771 Conier
	 Shop Fund	 Insurance Fund	 Copier Fund
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 293,334	\$ 33,354,472	\$ 35,104
Cash Received from Grants			
Cash Receipts (Payments) for Quasi-external			
Operating Transactions with Other Funds		1,675,000	
Cash Payments to Employees	(150,288)		
Cash Payments to Suppliers for Goods and Services	(131,817)	(35,705,882)	(37,869)
Cash Payments for Grants to Other Organizations			
Other Operating Cash Receipts (Payments)	 	 	
Net Cash Provided (Used) by Operating Activities	 11,229	 (676,410)	 (2,765)
Cash Flows from Non-capital Financing Activities:			
Transfers From (To) Primary Government			
Transfers From (To) Other Funds	 	 	
Net Cash Provided (Used) by Non-capital	 	 	
Financing Activities	 	 	
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Issuance of Long-term Debt			
Proceeds from Sale of Capital Assets			
Contributed Capital			
Net Cash Provided (Used) for Capital and			
Related Financing Activities	 	 	
Cash Flows from Investing Activities:			
Purchase of Investment Securities			
Proceeds from Sale and Maturities of Securities			
Interest and Dividends on Investments			
Net Cash Provided (Used) for Investing Activities	 		
Net Increase (Decrease) in Cash and Cash Equivalents	11,229	(676,410)	(2,765)
Cash and Cash Equivalents at Beginning of Year	21,330	1,482,218	251,224
Cash and Cash Equivalents at End of Year	\$ 32,559	\$ 805,808	\$ 248,459
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating Income (Loss)	\$ 18,000	\$ (64,974)	\$ (4,853)
Adjustments to Reconcile Operating Income to Net			
Cash Provided by Operating Activities			
Depreciation			
Provision for Uncollectible Accounts			
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables			
Decrease (Increase) in Due From Other Funds		165,704	
Decrease (Increase) in Prepaid Expenses			
Increase (Decrease) in Accounts Payable	(6,356)	(274,734)	2,088
Increase (Decrease) in Payroll Deductions			
Increase (Decrease) in Accrued Wages Payable	(402)		
Increase (Decrease) in Due to Other Funds	(13)	(502,406)	
Increase (Decrease) in Unearned Revenue	 	 	
Total Adjustments	 (6,771)	 (611,436)	 2,088
Net Cash Provided (Used) by Operating Activities	\$ 11,229	\$ (676,410)	\$ (2,765)

EXHIBIT H-12

_	772 Workmen's Compensation		Total Internal Service Funds (See Exhibit D-3)
\$	2,517,448	\$	36,200,358
_	(1,675,000) (1,589,017) (746,569)		 (150,288) (37,464,585) (1,414,515)
-			
_		-	
_			
_		-	
-		-	
\$	(746,569) 6,305,192 5,558,623	\$	(1,414,515) 8,059,964 6,645,449
_		-	
\$	(746,375)	\$	(798,202)
	 68,528		 234,232
	 		 (279,002)
	 (68,722)		(402) (571,141)
\$_	(194) (746,569)	\$	 (616,313) (1,414,515)

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS AUGUST 31, 2016

Data Control Codes	Ge A	842 eneral gency Trust	865 Student Activity		Total Agency unds (See xhibit E-1)
ASSETS: 1110 Cash and Cash Equivalents 1000 Total Assets	\$	217 217	\$	751,158 751,158	\$ 751,375 751,375
LIABILITIES: Current Liabilities: 2190 Due to Student Groups 2000 Total Liabilities	\$	<u>217</u> 217	\$	751,158 751,158	\$ 751,375 751,375
NET POSITION:3000Total Net Position	\$		\$		\$

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

SCHEDULE OF DELINQUENT TAXES RECEIVABLE FOR THE YEAR ENDED AUGUST 31, 2016

Year Ended		2 x Rates	3 Assessed/Appraised Value For School
August 31	Maintenance	Debt Service	Tax Purposes
2007 and Prior Years	\$ Various	\$ Various	\$ Various
2008	1.04	.1713	2,891,912,692
2009	1.04	.231	2,308,797,178
2010	1.04	.2613	3,460,753,968
2011	1.04	.3192	3,428,758,885
2012	1.17	.1892	3,454,074,798
2013	1.17	.1892	3,470,999,451
2014	1.17	.1889	3,594,699,916
2015	1.17	.1889	3,840,693,698
2016 (School Year Under Audit)	1.17	.2292	3,913,771,066

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

	10 Beginning Balance	20 Current Year's		31 Maintenance				ent		32 Debt Service		40 Entire Year's			50 Ending Balance																
_	9/1/15	_	Total Levy		Collections	_	Collections																						Adjustments		8/31/16
\$	1,756,050	\$		\$	130,914	\$	16,613	\$	(31,908)	\$	1,576,615																				
	233,252				24,925		4,105		(3,775)		200,447																				
	322,015				33,705		7,486		(6,855)		273,969																				
	366,870				42,201		10,603		(15,643)		298,423																				
	425,863				70,489		21,635		4,420		338,159																				
	552,735				106,553		17,231		(38,480)		390,472																				
	728,217				184,797		29,883		16,641		530,178																				
	1,086,976				338,169		54,685		7,619		701,741																				
	2,415,756				922,505		149,178		(111,386)		1,232,687																				
			54,069,974		43,142,148		8,451,436		(131,768)		2,344,622																				
\$	7,887,734	\$	54,069,974	\$	44,996,406	\$	8,762,855	\$	(311,135)	\$_	7,887,314																				
\$		\$		\$		\$		\$		\$																					

660,969 7,226,345

\$

Less: Allowance for uncollectable taxes

This page is left blank intentionally.

DEBT SERVICE

BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED AUGUST 31, 2016

_			1		2		3		Variance with
Data									Final Budget
Control		_	Budgete	ed A					Positive
Codes		_	Original		Final		Actual	_	(Negative)
	REVENUES:								
5700	Local and Intermediate Sources	\$	8,592,971	\$	8,592,971	\$	9,039,530	\$	446,559
5800	State Program Revenues	_	18,130,561	_	16,630,561	_	16,702,419	_	71,858
5020	Total Revenues	_	26,723,532	_	25,223,532	-	25,741,949	_	518,417
	EXPENDITURES:								
	Debt Service:								
0071	Principal on Long-Term Debt		16,155,000		17,250,000		17,250,000		
0072	Interest on Long-Term Debt		15,509,966		14,403,694		14,403,694		
0073	Bond Issuance Costs and Fees		6,395		352,486		352,486		
	Total Debt Service	_	31,671,361	_	32,006,180		32,006,180	_	
0000	Tatal Franciscality and a	_	01 071 001	_	00 000 100		00.000.100	_	
6030	Total Expenditures	-	31,671,361	_	32,006,180	-	32,006,180	-	
1100	Excess (Deficiency) of Revenues Over (Under)								
1100	Expenditures	_	(4,947,829)	_	(6,782,648)		(6,264,231)	_	518,417
	Other Financing Courses (Llass)								
7011	Other Financing Sources (Uses):				107 700 000		107 705 000		5 000
7911 7915	Capital-Related Debt Issued (Regular Bonds) Transfers In				107,780,000		107,785,000		5,000
			3,783,635		19,621,835		18,968,552		(653,283)
7916	Premium or Discount on Issuance of Bonds				17,394,918		17,394,918		
8911	Transfers Out				(12,838,200)		(12,838,200)		
8940	Payment to Bond Refunding Escrow Agent	_			(124,834,511)	_	(124,834,511)	_	
7080	Total Other Financing Sources and (Uses)	_	3,783,635	_	7,124,042	_	6,475,759	_	(648,283)
1200	Net Change in Fund Balance		(1,164,194)		341,394		211,528		(129,866)
0100	Fund Balance - Beginning				1,525,389		1,525,389		
1300	Prior Period Adjustment				(221,725)		(221,725)		
0100	Fund Balance - Beginning, as Restated				1,303,664		1,303,664		
3000	Fund Balance - Ending	\$	(1,164,194)	\$	1,645,058	\$	1,515,192	\$	(129,866)
		-		-		-		-	

Oscar R. Sonzález, CPA & Associates, P.L.L.C.

Certified Public Accountants

208 W. Ferguson Unit #1 • Pharr, Jexas 78577 Jel: (956) 787–9909 • Fax: (956) 787–3067 Email: org110n@aol.com

Oscar R. Sonzález Melissa Sonzález

Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Trustees Pharr-San Juan-Alamo Independent School District P.O. Box 769 Pharr, Texas 78577

Members of the Board of Trustees:

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, the business-type activities, each major fund, and the aggregate remaining fund information of Pharr-San Juan-Alamo Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Pharr-San Juan-Alamo Independent School District's basic financial statements, and have issued our report thereon dated January 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pharr-San Juan-Alamo 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 Pharr-San Juan-Alamo Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pharr-San Juan-Alamo Independent School 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pharr-San Juan-Alamo Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Oscar R. Gonzalez, CPA and Associates PLLC

Oscar R. Gonzalez, CPA and Associates PLL Certified Public Accountants Pharr, TX January 27, 2017

Oscar R. González, CPA & Associates, P.L.L.C.

Certified Public Accountants 208 W. Ferguson Unit #1 • Pharr, Iexas 78577 Jel: (956) 787–9909 • Fax: (956) 787–3067 Email: org110n@aol.com

Oscar R. Sonzález Melissa Sonzález

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees Pharr-San Juan-Alamo Independent School District P.O. Box 769 Pharr, Texas 78577

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Pharr-San Juan-Alamo 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 Pharr-San Juan-Alamo Independent School District's major federal programs for the year ended August 31, 2016. Pharr-San Juan-Alamo 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 Pharr-San Juan-Alamo 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 Pharr-San Juan-Alamo Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Pharr-San Juan-Alamo Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

Report on Internal Control Over Compliance

Management of the Pharr-San Juan-Alamo 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 Pharr-San Juan-Alamo Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pharr-San Juan-Alamo Independent School 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 is a deficiency, or a combination of deficiencies, in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance is a deficiency, or a combination of deficiencies, 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 will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Oscar R. Gonzajez/CPA and Associates PLLC

Oscar R. Gonzalez/CPA and Associates PLLC Certified Public Accountants Pharr, TX January 27, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED AUGUST 31, 2016

A. Summary of Auditor's Results

1.	Financial Statements			
	Type of auditor's report issued:		<u>Unmodified</u>	
	Internal control over financial reporting:			
	One or more material weaknesses	identified?	Yes	<u>X</u> No
	One or more significant deficiencie are not considered to be material v		Yes	X None Reported
	Noncompliance material to financial statements noted?		Yes	X No
2.	Federal Awards			
	Internal control over major programs:			
	One or more material weaknesses	identified?	Yes	X_No
	One or more significant deficiencie are not considered to be material v		Yes	X None Reported
	Type of auditor's report issued on comp major programs:	t issued on compliance for		
	Any audit findings disclosed that are rea reported in accordance with Title 2 U.S Federal Regulations (CFR) Part 200?		Yes	X_No
	Identification of major programs:			
	<u>CFDA Number(s)</u> 84.010A 84.011 93.600	<u>Name of Federal F</u> ESEA Title I Part <i>F</i> ESEA Title I Part C Head Start Progra	 A - Improving Basi C - Education of M 	c Programs
	Dollar threshold used to distinguish betw type A and type B programs:	ween	<u>\$1,693,146</u>	
	Auditee qualified as low-risk auditee?		X Yes	No
	<u>ancial Statement Findings</u> DNE			
C. <u>Fe</u>	deral Award Findings and Questioned Co	sts		

NONE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED AUGUST 31, 2016

Finding/Recommendation

Current Status

Management's Explanation If Not Implemented

NONE

This page is left blank intentionally.

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED AUGUST 31, 2016

Not Applicable

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(2A)		(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture Passed Through State Department of Education: School Breakfast Program National School Lunch Program Summer Food Service Program Total Passed Through State Department of Education Total U. S. Department of Agriculture Total Child Nutrition Cluster	10.553 10.555 10.559	108-909 108-909 108-909	\$ 	\$ 6,974,870 13,290,747 <u>392,540</u> 20,658,157 20,658,157 20,658,157
FOOD DISTRIBUTION CLUSTER: U. S. Department of Agriculture Passed Through State Department of Education: Commodity Supplemental Food Program Total U. S. Department of Agriculture Total Food Distribution Cluster	10.565	108-909	 	1,569,220 1,569,220 1,569,220
MEDICAID CLUSTER: U. S. Department of Health and Human Services Passed Through State Department of Education: <i>Medicaid Administrative Claiming Program - MAC</i> Total U. S. Department of Health and Human Services Total Medicaid Cluster	93.778	108-909		244,444 244,444 244,444
SPECIAL EDUCATION (IDEA) CLUSTER: U. S. Department of Education Passed Through State Department of Education:				
<i>IDEA-B Formula</i> <i>IDEA-B Formula</i> Total CFDA Number 84.027	84.027 84.027	66600011089096600 76600011089096600		4,582,109 467,206 5,049,315
IDEA-B Preschool IDEA-B Preschool Total CFDA Number 84.173 Total Passed Through State Department of Education Total U. S. Department of Education Total Special Education (IDEA) Cluster	84.173 84.173	66610011089096610 76610011089096610	 	54,927 4,105 59,032 5,108,347 5,108,347 5,108,347
OTHER PROGRAMS: U. S. Department of Health and Human Services Passed Through State Department of Education: Head Start Total CFDA Number 93.600 Total Passed Through State Department of Education Total OFDA Number 93.600 Total Passed Through State Department of Education Total U. S. Department of Health and Human Services	93.600 93.600	06HP0020-01-01 06HP0020-01-01		1,919 3,382,430 3,384,349 3,384,349 3,384,349
<u>U. S. Department of Education</u> Passed Through State Department of Education: ESEA Title IV Part A-Safe & Drug-Free Schools & Communit	i 16.560	2014-CK-BX-15		1,214,313

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(2A)		(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title ESEA Title I Part A - Improving Basic Programs ESEA Title I Part A - Improving Basic Programs ESEA Title I Part A - Improving Basic Programs ESEA Title I Part A - Improving Basic Programs Total CFDA Number 84.010A	Federal CFDA <u>Number</u> 84.010A 84.010A 84.010A 84.010A	Pass- Through Entity Identifying Number 6610112108909006 5 5610112108909006 5 6610101108909 7610101108909	• •	
ESEA Title I Part C - Education of Migratory Children ESEA Title I Part C - Education of Migratory Children Total CFDA Number 84.011	84.011 84.011	6615001108909 7615001108909		2,698,825 192,811 2,891,636
<i>Career and Technical - Basic Grant</i> <i>Career and Technical - Basic Grant</i> Total CFDA Number 84.048	84.048 84.048	6420006108909 7420006108909		302,162 8,221 310,383
GEAR UP	84.334S	P334A110180-13		276,720
Title III Part A English Language Acquisition and Language Title III Part A English Language Acquisition and Language Total CFDA Number 84.365		6671001108909 7671001108909		1,207,398 106,629 1,314,027
Mathematics and Science Partnerships	84.366	56944187110014		119,819
ESEA Title II Part A - Teacher & Principal Training & Recru ESEA Title II Part A - Teacher & Principal Training & Recru Total CFDA Number 84.367A		6694501108909 7694501108909		1,126,363 18,148 1,144,511
Teacher Incentive Fund	84.374	S374A120099		3,156,409
i3 Early College Expansion Partnership	84.411B	U411B120049		160,592
<i>Multi-Tiered Systems of Support for Behavior</i> Total Passed Through State Department of Education Total U. S. Department of Education	84.999	ED-IES-14-C-00	 	46,702 24,184,165 24,184,165
<u>U. S. Department of Defense</u> Passed Through State Department of Education: <i>ROTC</i> Total U. S. Department of Defense	12.357	108-909		263,356 263,356
<u>U. S. Department of Agriculture</u> Passed Through State Department of Education: <i>Child and Adult Care Food Program</i> <i>Fresh Fruit & Vegetable Program</i> Total Passed Through State Department of Education Total U. S. Department of Agriculture	10.558 10.582	108-909 108-909	 	653,841 304,344 958,185 958,185
<u>General Services Administration</u> Passed Through State Department of Education: <i>Donation of Federal Surplus Personal Property</i> Total General Services Administration TOTAL EXPENDITURES OF FEDERAL AWARDS	39.003	108-909	 \$\$	68,092 68,092 56,438,315

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2016

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pharr-San Juan-Alamo Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Cost Rate:

Pharr-San Juan-Alamo Independent School District has elected not to use the 10% of the minimis indirect cost rate allowed under the Uniform Guidance.

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS AS OF AUGUST 31, 2016

Data Control Codes	_	_	Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?		No
SF4	Was there an unmodified opinion in the Annual Financial Report?		Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?		No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?		No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?		Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?		Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$	650,367
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$	
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$	40,623,685
SF13	Pension Expense (object 6147) at fiscal year-end.	\$	