

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 9. DEFINED BENEFIT PENSION PLANS – (Continued)

Discount Rate – (Continued)

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, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return*
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 Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and 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%

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

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the Net pension liability	\$ <u>65,899,869</u>	\$ <u>42,580,241</u>	\$ <u>22,800,482</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 9. DEFINED BENEFIT PENSION PLANS - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of \$ 42,580,241 for its proportionate share of 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	\$ 42,580,241
State’s proportionate share that is associated with the District	<u>22,456,121</u>
 Total	 <u>\$ 65,036,362</u>

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

At August 31, 2016 the employer’s portion of the collective net pension liability was 0.1126804% which was an increase of 0.0062394% from its proportion measured as of August 31, 2015.

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$ 5,431,543 and revenue of \$ 6,157,874 for support provided by the State.

At June 30, 2017, the District reported its proportionate share of TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 667,650	\$ 1,721,421
Changes in actuarial assumptions	1,297,769	1,180,268
Difference between projected and actual investment earnings	8,205,270	4,599,664
Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions	12,138,897	2,827
Contribution paid to TRS subsequent to the measurement date	<u>3,082,370</u>	<u> </u>
 Total	 <u>\$ 25,391,956</u>	 <u>\$ 7,504,180</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 9. DEFINED BENEFIT PENSION PLANS - (Continued)

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

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2018	\$ 2,702,174
2019	2,702,174
2020	5,002,006
2021	2,525,456
2022	1,807,979
Thereafter	515,617

NOTE 10. GENERAL FUND FEDERAL SOURCE REVENUES

Following is a schedule of federal source revenue recorded in the General Fund.

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Total</u>
Direct Costs:		
School Health and Related Services (SHARS)	---	\$ 2,163,995
Medicaid Administrative Claiming Program (MAC)	93.778	17,019
ROTC Salary Aid	12.000	<u>152,390</u>
Total direct		<u>2,333,404</u>
Indirect Costs:		
ESEA, Title I, Part A - Improving Basic Programs	84.010	21,331
Vocational Education - Basic	84.048	2,199
McKinney-Vento - Texas Support for Homeless Education	84.196	603
Title III, Part A - English Language and Language Enhancement	84.365	2,795
Title II, Part A - Teacher and Principal Training and Recruiting	84.367	<u>3,615</u>
Total indirect		<u>30,543</u>
Total		<u>\$ 2,363,947</u>

The School Health and Related Services (SHARS) funds are not considered federal financial assistance for inclusion in the Schedule of Federal Financial Assistance.

PEARLAND INDEPENDENT SCHOOL DISTRICT*NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED JUNE 30, 2017***NOTE 11. LOCAL AND INTERMEDIATE REVENUES**

During the year ended June 30, 2017, local and intermediate revenues for governmental funds consisted of the following:

	Major Funds			Other Governmental Funds	Total
	General Fund	Debt Service Fund	Capital Projects Funds		
Property Taxes	\$ 72,428,150	\$ 26,155,824	\$	\$	\$ 98,583,974
Food sales				4,971,333	4,971,333
Investment income	250,484	93,124	14,085	367	358,060
Penalties, interest and other tax related income	426,255	137,342			563,597
Other tuition and fees from patrons	318,461				318,461
Co-curricular income	368,245			67,560	435,805
Rent	479,888				479,888
Contributions	120,000				120,000
Other	<u>429,971</u>			<u>25,439</u>	<u>455,410</u>
Total	<u>\$ 74,821,454</u>	<u>\$ 26,386,290</u>	<u>\$ 14,085</u>	<u>\$ 5,064,699</u>	<u>\$ 106,286,528</u>

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2017, 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.

NOTE 13. SELF-INSURED WORKERS' COMPENSATION

Beginning September 1, 1991, the District established its self-funding Workers' Compensation program. The accrued liability for the Workers' Compensation self-insurance program is projected to be \$ 18,305 as of June 30, 2017. The District claim history does not allow for a credible projection of loss adjustment expenses (LAE), data from other self-insured and insurance entities suggests costs for these items may be in the neighborhood of 5% of the liability for losses. As of September 1, 2012, the District chose to switch to a fully insured workers' compensation program with Texas Mutual Insurance Company. The above liability is from claims before July 1, 2014 from the self-insured program which have not been closed out as of June 30, 2017.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 13. SELF-INSURED WORKERS' COMPENSATION – (Continued)

This liability reported in the fund at June 30, 2017, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

Changes in the workers' compensation claim liability amounts in fiscal 2015-2016 and 2016-2017 are represented below:

	<u>Beginning of Fiscal-Period Liability</u>	<u>Current-Period Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Period-End</u>
2015-2016 Year Ended Workers' Compensation	\$ 55,607	\$ 17,269	\$ 40,665	\$ 32,211
2016-2017 Year Ended Workers' Compensation	32,211	19,868	33,774	18,305

NOTE 14. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collect ability of any related receivable at June 30, 2017 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 15. JOINT VENTURES-SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for Brazoria County Juvenile Justice Alternative Education Program with six other school districts. Although a percentage of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Brazoria County, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Pearland Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The expenditures attributable to the District's participation totaled \$ 17,600 and were coded to 6223 Student tuition - other than to public schools.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 15. JOINT VENTURES-SHARED SERVICE ARRANGEMENTS – (Continued)

The District participates in a joint venture arrangement between Communities in Schools (CIS), and Southwest Harris County (SHC) Afterschool Centers on Education (ACE). The intent of both parties is to bring the resources of Communities in Schools ACE (CIS-ACE) to facilitate the academic achievement and personal success of students by providing the full range of CIS-ACE services to those students and their families by creating, implementing and managing two (2) CIS-ACE programs. Specifically, these services will 1) implement Cycle 9 - 21st Century ACE programs at Magnolia Elementary and Pearland Jr. High South with a cost of \$ 30,000 to the District, annually, and, 2) provide CIS services to Carlston Elementary, Cockrell Elementary, Jamison Middle, Lawhon Elementary, Pearland Jr. High South, and Sablatura Middle schools with a cost of \$ 90,000 to the District annually. The expenditures attributable to the District's participation totaled \$ 120,000 and were coded to 6299 Miscellaneous Contract Services in Function 32 Social Work Services.

NOTE 16. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 17, 2017, the date which the financial statements were available to be issued.

On July 6, 2017, the District issued \$ 105,510,000 of Series 2017 Unlimited Tax School Building Bonds for the construction, renovation, and equipment of school facilities, maturing in 2042. The bonds have stated interest rates of 3.00% - 5.00%. The bonds are to be paid from annual ad valorem interest and bonded indebtedness.

The following is a schedule of principal maturity for the Series 2017 Unlimited Tax School Building Bonds:

<u>Maturing February 15</u>	<u>Principal</u>
2018	\$ -0-
2019	-0-
2020	100,000
2021	330,000
2022	1,680,000
2023-2027	20,570,000
2028-2032	40,475,000
2033-2037	18,965,000
2038-2042	<u>23,390,000</u>
Total	<u>\$ 105,510,000</u>

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REQUIRED SUPPLEMENTARY INFORMATION

PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2017

EXHIBIT G-1
Page 1 of 1

Data Control Codes		General Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and intermediate sources	\$ 70,248,112	\$ 70,248,112	\$ 74,821,454	\$ 4,573,342
5800	State program revenues	88,342,393	88,342,393	91,588,072	3,245,679
5900	Federal program revenues	<u>1,261,000</u>	<u>1,261,000</u>	<u>2,363,947</u>	<u>1,102,947</u>
5020	Total revenues	<u>159,851,505</u>	<u>159,851,505</u>	<u>168,773,473</u>	<u>8,921,968</u>
EXPENDITURES:					
Current:					
0011	Instruction	98,233,392	98,981,175	97,446,045	1,535,130
0012	Instructional resources and media services	1,678,265	1,758,265	1,714,034	44,231
0013	Curriculum and staff development	4,858,883	4,914,883	4,674,984	239,899
0021	Instructional leadership	1,985,563	2,035,563	1,996,364	39,199
0023	School leadership	10,495,925	10,585,925	10,477,348	108,577
0031	Guidance, counseling, and evaluation services	5,635,477	5,635,477	5,541,739	93,738
0032	Social work services	608,145	558,145	530,827	27,318
0033	Health services	1,473,765	1,473,765	1,418,337	55,428
0034	Student transportation	7,938,276	7,938,276	6,807,783	1,130,493
0036	Extracurricular activities	4,532,337	4,312,337	3,969,913	342,424
0041	General administration	4,361,863	4,361,863	4,265,087	96,776
0051	Plant maintenance and operations	22,636,108	22,636,108	20,294,006	2,342,102
0052	Security and monitoring services	2,083,280	2,113,280	1,824,948	288,332
0053	Data processing services	4,363,106	4,513,106	4,048,916	464,190
0061	Community services	12,856	12,856	10,453	2,403
0095	Payments to Juvenile Justice Alternative Education Programs	123,672	123,672	17,600	106,072
0099	Other intergovernmental charges	<u>606,420</u>	<u>629,420</u>	<u>627,315</u>	<u>2,105</u>
6030	Total expenditures	<u>171,627,333</u>	<u>172,584,116</u>	<u>165,665,699</u>	<u>6,918,417</u>
1100	Excess (deficiency) of revenues over expenditures	(11,775,828)	(12,732,611)	3,107,774	15,840,385
OTHER FINANCING SOURCES (USES):					
7912	Sale of real and personal property			14,961	14,961
8911	Transfers out	(5,000,000)	(5,000,000)	(2,000,000)	3,000,000
	Total other financing sources (uses)	(5,000,000)	(5,000,000)	(1,985,039)	3,014,961
1200	Net change in fund balances	(16,775,828)	(17,732,611)	1,122,735	18,855,346
0100	Fund balances – beginning	<u>49,614,047</u>	<u>49,614,047</u>	<u>49,614,047</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 32,838,219</u>	<u>\$ 31,881,436</u>	<u>\$ 50,736,782</u>	<u>\$ 18,855,346</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
RELATED RATIOS – COST SHARING EMPLOYER PLAN
JUNE 30, 2017 WITH MEASUREMENT DATE OF AUGUST 31, 2016
FOR THE PRIOR TEN YEARS (1)**EXHIBIT G-2
Page 1 of 1

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability (asset)	0.0608658%	0.1064410%	0.1126804%
District's proportionate share of the net pension liability (asset)	\$ 16,258,097	\$ 37,625,477	\$ 42,580,241
State's proportionate share of the net pension liability (asset) associated with the District	<u>9,818,511</u>	<u>20,222,708</u>	<u>22,456,121</u>
Total	<u>\$ 26,076,608</u>	<u>\$ 57,848,185</u>	<u>\$ 65,036,362</u>
District's covered-employee payroll	\$ 103,284,170	\$ 111,507,045	\$ 125,800,864
District's proportionate share of the net pension liability (asset) as a percentage of its Covered employee payroll	15.74%	33.74%	33.85%
Plan fiduciary net position as a percentage of total pension liability	83.25%	78.43%	78.00%

(1) – The first TRS actuarial report was completed for the year ended August 31, 2014 (measurement date), therefore only three years of required supplementary information is available.

PEARLAND INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED CONTRIBUTIONS – COST SHARING EMPLOYER PLAN

JUNE 30, 2017 WITH MEASUREMENT DATE OF AUGUST 31, 2016

FOR THE PRIOR TEN YEARS (1)

EXHIBIT G-3

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	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contributions	\$ 1,543,117	\$ 3,151,764	\$ 3,580,141
Contributions in relation to the contractually required contribution	<u>1,543,117</u>	<u>3,151,764</u>	<u>3,580,141</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered-employee payroll	\$ 103,284,170	\$ 111,507,045	\$ 125,800,864
Contributions as a percentage of covered-employee payroll	1.49%	2.83%	2.85%

(1) – The first TRS actuarial report was completed for the year ended August 31, 2014 (measurement date), therefore only three years of required supplementary information is available.

OTHER SUPPLEMENTARY INFORMATION

PEARLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

Data Control Codes		Special				
		206 McKinney-Vento Texas Support for Homeless Education	211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B High Cost
	ASSETS AND OUTFLOWS OF RESOURCES					
	Assets:					
1110	Cash and cash equivalents	\$	\$	\$ 15,885	\$	\$
1240	Receivables from other governments	2,894	252,227	249,593	7,823	118,062
1290	Other receivables					
1300	Inventories					
1000	Total assets	<u>2,894</u>	<u>252,227</u>	<u>265,478</u>	<u>7,823</u>	<u>118,062</u>
	Deferred Outflow of Resources:					
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 2,894</u>	<u>\$ 252,227</u>	<u>\$ 265,478</u>	<u>\$ 7,823</u>	<u>\$ 118,062</u>
	LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$	\$	\$	\$	\$
2160	Accrued wages payable		179,406	265,478	5,921	
2170	Due to other funds	<u>2,894</u>	<u>72,821</u>		<u>1,902</u>	<u>118,062</u>
2000	Total liabilities	<u>2,894</u>	<u>252,227</u>	<u>265,478</u>	<u>7,823</u>	<u>118,062</u>
	Deferred Inflows of Resources:					
1700	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Fund Balances:					
3410	Non-spendable - Inventories					
3450	Restricted - grant funds					
3490	Restricted - other					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,894</u>	<u>\$ 252,227</u>	<u>\$ 265,478</u>	<u>\$ 7,823</u>	<u>\$ 118,062</u>

Revenue Funds							
240	244	255	263	265	289	383	397
National School Lunch and Breakfast Program	Vocational Education Basic	Title II Part A Teacher/ Principal	Title III Part A Language Education Program	Title IV Part B 21st Century	Title VI Part A Summer School	Professional Staff Development	AP/IB Campus Awards
\$ 2,933,445 1,969	\$ 7,614	\$	\$ 53,452 385	\$ 104,211	\$ 9,318	\$ 9,180	\$ 8,994
<u>62,004</u>							
<u>2,997,418</u>	<u>7,614</u>	<u>-0-</u>	<u>53,837</u>	<u>104,211</u>	<u>9,318</u>	<u>9,180</u>	<u>8,994</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 2,997,418</u>	<u>\$ 7,614</u>	<u>\$ -0-</u>	<u>\$ 53,837</u>	<u>\$ 104,211</u>	<u>\$ 9,318</u>	<u>\$ 9,180</u>	<u>\$ 8,994</u>
\$ 5,807 449,696	\$ 1,345 6,269	\$	\$ 696 26,686 26,455	\$ 748 14,429 89,034	\$ 9,319	\$ 9,180	\$
<u>455,503</u>	<u>7,614</u>	<u>-0-</u>	<u>53,837</u>	<u>104,211</u>	<u>9,319</u>	<u>9,180</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>62,004</u> <u>2,479,911</u>							<u>8,994</u>
<u>2,541,915</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>8,994</u>
<u>\$ 2,997,418</u>	<u>\$ 7,614</u>	<u>\$ -0-</u>	<u>\$ 53,837</u>	<u>\$ 104,211</u>	<u>\$ 9,319</u>	<u>\$ 9,180</u>	<u>\$ 8,994</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

EXHIBIT H-1
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Data Control Codes		Special Revenue Funds			Total Nonmajor Governmental Funds
		410	429	461	
		Instructional Materials Allocation	Read To Succeed	Campus Activities	
	ASSETS AND OUTFLOWS OF RESOURCES				
	Assets:				
1110	Cash and cash equivalents	\$ 1,647	\$	\$ 3,029,094	\$ 6,007,563
1240	Receivables from other governments				797,845
1290	Other receivables				385
1300	Inventories				62,004
10000	Total assets	<u>1,647</u>	<u>-0-</u>	<u>3,029,094</u>	<u>6,867,797</u>
	DEFERRED OUTFLOWS OF RESOURCES				
1700	Deferred outflows of resources				-0-
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 1,647</u>	<u>\$ -0-</u>	<u>\$ 3,029,094</u>	<u>\$ 6,867,797</u>
	LIABILITIES AND FUND BALANCES:				
	Liabilities:				
2110	Accounts payable	\$	\$	\$ 126	\$ 16,557
2160	Accrued wages payable				942,961
2170	Due to other funds				326,756
2000	Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>126</u>	<u>1,286,274</u>
	Deferred Inflows of Resources:				
1700	Deferred inflows of resources				-0-
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Fund Balances:				
3410	Non-spendable - Inventories				62,004
3450	Restricted - food service				2,479,911
3490	Restricted - other	<u>1,647</u>		<u>3,028,968</u>	<u>3,039,609</u>
3000	Total fund balances	<u>1,647</u>	<u>-0-</u>	<u>3,028,968</u>	<u>5,581,524</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,647</u>	<u>\$ -0-</u>	<u>\$ 3,029,094</u>	<u>\$ 6,867,798</u>

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PEARLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

Data Control Codes		Special				
		206 McKinney-Vento Texas Support for Homeless Education	211 ESEA Title I Part A	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B High Cost
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$	\$
5800	State program revenues					
5900	Federal program revenues	<u>33,222</u>	<u>1,173,380</u>	<u>2,485,585</u>	<u>42,311</u>	<u>118,062</u>
5020	Total revenues	<u>33,222</u>	<u>1,173,380</u>	<u>2,485,585</u>	<u>42,311</u>	<u>118,062</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	27,043	1,157,397	1,440,381	42,311	118,062
0012	Instructional resources and media services					
0013	Curriculum and staff development		6,726	27,272		
0021	Instructional leadership	742		198,819		
0023	School leadership					
0031	Guidance, counseling, and evaluation services			819,073		
0032	Social work services	5,367	1,733			
0035	Food service					
0036	Extracurricular activities			40		
0063	Data processing services		440			
0061	Community services	<u>70</u>	<u>7,084</u>			
6030	Total expenditures	<u>33,222</u>	<u>1,173,380</u>	<u>2,485,585</u>	<u>42,311</u>	<u>118,062</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	OTHER FINANCING SOURCES (USES):					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net changes in fund balances	-0-	-0-	-0-	-0-	-0-
0100	Fund balances - beginning (restated)					
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Revenue Funds							
240	244	255	263	265	289	383	397
National School Lunch and Breakfast Program	Vocational Education Basic	Title II Part A Teacher/ Principal	Title III Part A Language Education Program	Title IV Part B 21st Century	Title VI Part A Summer School	Professional Staff Development	AP/IB Campus Awards
\$ 4,971,701	\$	\$	\$	\$	\$	\$	\$
209,116						34,851	10,846
<u>4,108,073</u>	<u>128,809</u>	<u>198,890</u>	<u>153,849</u>	<u>176,371</u>	<u>9,319</u>		
<u>9,288,890</u>	<u>128,809</u>	<u>198,890</u>	<u>153,849</u>	<u>176,371</u>	<u>9,319</u>	<u>34,851</u>	<u>10,846</u>
	95,550	89,285	127,771	127,778	9,319		
	6,545	109,605	26,078			34,851	10,846
	26,714			48,593			
8,894,463							
<u>8,894,463</u>	<u>128,809</u>	<u>198,890</u>	<u>153,849</u>	<u>176,371</u>	<u>9,319</u>	<u>34,851</u>	<u>10,846</u>
<u>394,427</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
394,427	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>2,147,488</u>							<u>8,994</u>
<u>\$ 2,541,915</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 8,994</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT H-2
Page 2 of 2

Data Control Codes		Special Revenue Funds			Total Nonmajor Governmental Funds
		410	429	461	
		Instructional Materials Allocation	Read To Succeed	Campus Activities	
REVENUES:					
5700	Local and intermediate sources	\$ 25,438	\$	\$ 67,560	\$ 5,064,699
5800	State program revenues	249,860	29		504,702
5900	Federal program revenues				8,627,871
5020	Total revenues	<u>275,298</u>	<u>29</u>	<u>67,560</u>	<u>14,197,272</u>
EXPENDITURES:					
Current:					
0011	Instruction	321,522			3,556,419
0012	Instructional resources and media services		29		29
0013	Curriculum and staff development				221,923
0021	Instructional leadership				226,275
0023	School leadership				48,593
0031	Guidance, counseling, and evaluation services				819,073
0032	Social work services				7,100
0035	Food service				8,894,463
0036	Extracurricular activities			48,193	48,233
0053	Data processing services	6,500			6,940
0061	Community services				7,154
6030	Total expenditures	<u>328,022</u>	<u>29</u>	<u>48,193</u>	<u>13,836,202</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(52,724)</u>	<u>-0-</u>	<u>19,367</u>	<u>361,070</u>
OTHER FINANCING SOURCES (USES):					
	Total other financing sources and (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1200	Net changes in fund balances	<u>(52,724)</u>	<u>-0-</u>	<u>19,367</u>	<u>361,070</u>
0100	Fund balances - beginning (restated)	<u>54,371</u>		<u>3,009,601</u>	<u>5,220,454</u>
3000	Fund balances - ending	<u>\$ 1,647</u>	<u>\$ -0-</u>	<u>\$ 3,028,968</u>	<u>\$ 5,581,524</u>

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PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2017

Last Ten Periods Ended August 31, / June 30,	1		2	3	10
	Tax Rates			Assessed/Appraised Value for School Tax Purposes	Beginning Balance July 1, 2016
	Maintenance	Debt Service			
2008 and Prior (1)	\$ -----	\$ -----		\$ -----	\$ 569,238
2009 (1)	1.0400	0.3794		5,237,283,359	102,409
2010 (1)	1.0400	0.3794		5,103,026,983	104,772
2011 (1)	1.0400	0.3794		5,534,742,285	118,932
2012 (1)	1.0400	0.3794		5,364,894,533	183,126
2013 (2)	1.0400	0.3794		5,300,745,597	209,139
2014 (3)	1.0400	0.3757		5,402,049,384	273,602
2015 (3)	1.0400	0.3757		5,737,388,969	404,662
2016 (3)	1.0400	0.3756		5,867,919,610	1,214,292
2017 School Period under Audit (3)	1.0400	0.3756		6,507,881,181	
1000 Totals					\$ <u>3,180,172</u>

- (1) Year Ended August 31,
- (2) Ten Months Ended June 30, 2013
- (3) Year Ended June 30,

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

Angleton Office:
2801 N. Velasco Suite C
Angleton, Texas 77515
979-849-8297

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Ste 135
Houston, Texas 77042
281-974-3416

Independent Auditor's Report

On Compliance for Each Major Program and on Internal Control
over Compliance Required by the Uniform Guidance

To the Board of Trustees
Pearland Independent School District
Pearland, Texas 77588

Report on Compliance for Each Major Federal Program

We have audited the Pearland Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The 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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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