

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED AUGUST 31, 2018

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Prairie Valley Independent School District
Name of School District

Montague
County

169-909
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, 2018, at a meeting of the Board of Trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

FINANCIAL SECTION



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

Independent Auditor's Report on Financial Statements

Board of Trustees
Prairie Valley Independent School District
12920 FM 103
Nocona, Texas 76255

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prairie Valley Independent School District (District) as of and for the year ended August 31, 2018, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial statement presentation.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Prairie Valley Independent School District as of August 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Prairie Valley Independent School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

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, and schedules related to the District's participation in the Teacher Retirement System 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, other supplementary information, and required Texas Education Agency Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information and Texas Education Agency Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 other supplementary information and Texas Education Agency Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the Schedule of Required Responses to Selected FIRST Indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

Edgin, Parkman, Fleming & Fleming, PC

November 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Prairie Valley Independent School District, we offer readers of the District's Annual Financial Report this narrative overview and analysis of the District's financial performance during the fiscal year ended August 31, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District implemented GASB 75 during the year which had some dramatic effects on the current year financial statements. Most notably, the prior year net position was adjusted to reflect the beginning of the year OPEB liability. Additionally, due to a large change in the ending OPEB liability, a large decrease in OPEB expenses was recognized as part of the current year operations. Lastly, the NECE on-behalf contributions required a negative adjustment to revenue offset by a similar decrease in expenses which caused numerous year over year variance anomalies as described below and throughout the MD&A.
- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at August 31, 2018 by \$1,528,657 (net position). Of this amount, \$846,574 (unrestricted net position) may be used to meet the District's obligations.
- During the year, the District's total net position increased by \$255,766. The District's expenses, which totaled \$1,313,773, were less than the District's program revenues of (\$73,495) and general revenues of \$1,643,034. Additionally, due to the implementation of GASB 75, the beginning net position was restated which decreased net position by \$877,460.
- The total cost of the District's programs decreased \$599,401 from last year. This decrease is mainly due to implementation of GASB 75 which resulted in a decrease in OPEB expense of \$467,967 on an actuarial basis.
- The governmental funds reported a fund balance this year of \$1,747,965, which is an increase of \$103,906 in comparison with the prior year amount.
- At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$947,060, or 59% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

All of the District's services are reported in the government-wide financial statements, including instruction, student support services, student transportation, general administration, school leadership,

and food services. Property taxes, state and federal aid, and investment earnings finance most of the activities. Additionally, all capital and debt financing activities are reported here.

The government-wide financial statements are designed to provide readers a broad overview of the District's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the District's assets and deferred outflows, and its liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The *statement of activities* details how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes).

Fund Financial Statements

The District uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole. Some funds are required by State law and or bond covenants. Other funds may be established by the District to control and manage money for particular purposes or to evidence appropriate use of certain taxes, grants, and other special revenues.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's short-term financing requirements.

Because the focus on *governmental funds* is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. These reconciliations facilitate the comparison between *governmental funds* and *governmental activities*.

The District maintained multiple governmental funds in fiscal year 2017-18. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund which is the District's only major fund. Financial data for the other governmental funds are combined into a single, aggregated presentation.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their

intended purposes. All the District's fiduciary funds are reported in the statement of fiduciary net position and statement of changes in fiduciary net position.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Immediately following the *required supplementary information* is the *other supplementary information* which includes required TEA schedules.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. Exhibited below in Table 1 is the District's net position summarized for the *governmental activities*.

Table 1 - District's Net Position

	Governmental Activities			
	2018	2017	Change	% Change
Current and other assets	\$ 1,864,613	\$ 1,780,834	\$ 83,779	5%
Capital assets, net	681,178	702,368	(21,190)	-3%
Total Assets	2,545,791	2,483,202	62,589	3%
Deferred Outflows of Resources	143,604	178,608	41,399	23%
Current liabilities	85,936	111,941	(26,005)	-23%
Noncurrent liabilities	752,895	342,734	410,161	120%
Total Liabilities	838,831	454,675	384,156	84%
Deferred Inflows of Resources	321,907	56,784	265,123	467%
Net position:				
Net investment in				
capital assets	681,178	702,368	(21,190)	-3%
Restricted for food service	905	5,199	(4,294)	-83%
Unrestricted	846,574	1,442,784	(596,210)	-41%
Total Net Position	\$ 1,528,657	\$ 2,150,351	\$ (621,694)	-29%

Net investment in capital assets (e.g. land, buildings, furniture, and equipment less any related debt used to acquire those assets that is still outstanding) is \$681,178. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

A small portion of the District's net position, \$905, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position of \$846,574 may be used to meet the District's ongoing obligations.

Changes in Net Position

The District's total revenues, both program and general, were \$1,569,539. A significant portion, 56%, of the District's revenue comes from property taxes. Unrestricted grants and contributions, which includes state aid formula grants, provided 48% of the revenues and (5%) comes from operating grants, while only 1% relates to charges for services. The negative operating grants are related to the implementation of GASB 75. Exhibited below in Table 2 are the District's revenues for the years ended August 31, 2018 and 2017 for the District's *governmental activities*.

Table 2 - District's Revenue

	Governmental Activities			
	2018	Percent	2017	Percent
Charges for services	\$ 19,944	1%	\$ 20,325	1%
Operating grants and contributions	(93,439)	-5%	217,378	12%
Property taxes	882,001	56%	914,819	49%
Grants and contributions not restricted	759,081	48%	715,377	38%
Investment earnings	257	0%	388	0%
Miscellaneous	1,695	0%	5,620	0%
Total Revenues	\$ 1,569,539	100%	\$ 1,873,907	100%

Exhibited below in Table 3 are the District's expenses for the years ended August 31, 2018 and 2017 for the District's *governmental activities*. The total cost of all programs and services was \$1,313,773. Instructional and related costs totaled 50% of these costs while student support and administrative support were 15% and 12%, respectively. Other expenses were only 3% of the District's total expenses in the current year.

Table 3 - District's Expenses

	Governmental Activities			
	2018	Percent	2017	Percent
Instructional & related	\$ 667,904	50%	\$ 1,124,572	59%
Leadership	77,536	6%	118,607	6%
Student support	194,790	15%	219,613	11%
Administrative support	153,195	12%	192,507	10%
Nonstudent support	179,934	14%	220,609	12%
Other	40,414	3%	37,266	2%
Total Expenses	\$ 1,313,773	100%	\$ 1,913,174	100%

Governmental Activities

Table 4 presents the various revenue categories and gross costs of each of the District's functional areas for both the current and prior year. Following the table, we provide explanations for the significant or unusual fluctuations between the two years.

Table 4 - Changes in Net Position

	Governmental Activities			
	2018	2017	\$ Change	% Change
Revenues:				
Program revenues:				
Charges for services	\$ 19,944	\$ 20,325	\$ (381)	-2%
Operating grants and contributions	(93,439)	217,378	(310,817)	-143%
General revenues:				
Property taxes	882,001	914,819	(32,818)	-4%
Grants and contributions not restricted	759,081	715,377	43,704	6%
Investment earnings	257	388	(131)	-34%
Other	1,695	5,619	(3,924)	-70%
Total revenues	1,569,539	1,873,906	(304,367)	-16%
Expenses:				
Instruction	650,695	1,105,990	(455,295)	-41%
Instructional resources and media services	13,383	14,076	(693)	-5%
Curriculum and staff development	3,826	4,506	(680)	-15%
School leadership	77,536	118,607	(41,071)	-35%
Guidance, counseling, and evaluation services	31,141	30,388	753	2%
Health services	6,606	5,504	1,102	20%
Student transportation	37,389	41,069	(3,680)	-9%
Food services	71,125	92,762	(21,637)	-23%
Cocurricular/extracurricular activities	48,529	49,890	(1,361)	-3%
General administration	153,195	192,507	(39,312)	-20%
Facilities maintenance and operations	155,462	192,755	(37,293)	-19%
Security and monitoring services	7,186	3,482	3,704	106%
Data processing services	17,286	24,372	(7,086)	-29%
Contracted instructional services between public schools	-	395	(395)	-100%
Payments related to shared service arrangements	24,780	19,728	5,052	26%
Other intergovernmental charges	15,634	17,143	(1,509)	-9%
Total expenses	1,313,773	1,913,174	(599,401)	-31%
Change in net position	\$ 255,766	\$ (39,268)	\$ 295,034	-751%

Significant changes between years are as follows:

- Operating grants decreased \$310,817, or 143%, due mainly to implementation of GASB 75 which decreased revenue by \$294,334.
- Instruction costs decreased \$455,295, or 41%, due to implementation of GASB 75 which reduced actuarially determined OPEB expenses by \$467,967.
- School leadership, general administration, and facilities maintenance and operation expenses decreased primarily due to the implementation of GASB 75 which reduced actuarially determined OPEB expenses by \$23,759, \$16,702, and \$16,820, respectively.

Table 5 presents the net cost of the District's governmental functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars, state aid, and other miscellaneous general revenues.

Table 5 - Net Cost of Selected District Functions

	Governmental Activities			
	2018	Percent	2017	Percent
Instructional & related Leadership	\$ 779,835	56%	\$ 1,006,424	60%
Student support	96,272	7%	112,009	7%
Administrative support	111,182	8%	114,933	7%
Nonstudent support	166,365	12%	188,011	11%
Other	193,200	14%	216,828	13%
	40,414	3%	37,266	2%
Total Expenses	\$ 1,387,268	100%	\$ 1,675,471	100%

Financial Analysis of the District's Funds

As previously stated, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental Funds

The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of August 31, 2018, the District's governmental funds reported a combined ending fund balance of \$1,747,965, an increase of \$103,906 from the previous year. Table 6 illustrates the fund balances of the governmental funds.

**Table 6 - Governmental Funds - Fund Balances
August 31, 2018**

	General Fund	National School Breakfast/Lunch Program	Other Funds	Totals
Restricted for:				
Federal/State Funds Grant Restrictions	\$ -	\$ 905	\$ -	\$ 905
Committed Fund Balances:				
Construction	800,000	-	-	800,000
Unassigned	947,060	-	-	947,060
Total Fund Balances	\$ 1,747,060	\$ 905	\$ -	\$ 1,747,965

General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was \$1,747,060 of which \$947,060 was unassigned. The total fund balance represents 109% of the total General Fund expenditures for the year ended August 31, 2018. The fund balance increased \$108,200 in the current fiscal year.

General Fund revenues totaled \$1,722,112, an increase of \$1,589 from the preceding year. Although local and intermediate sources decreased by \$41,131 due mainly to decreased property tax values (collections) and federal funding increased by \$30,382 due to a new erate vendor and additional SHARS invoicing which offset a significant portion of this loss.

General Fund expenditures totaled \$1,606,512, a decrease of \$132,394, or 8%, from the preceding year. Instructional expenditures decreased \$103,863 due to decreases in technology expenditures and the loss of one teacher. Capital outlay decreased an additional \$58,000 due to a new HVAC system installed in the prior year. These decreases were partially offset by a \$29,779 increase in co-curricular expenditures due to the current purchase of a 24-passenger bus.

Other Governmental Funds

Other governmental funds consist of the various special revenue funds. The total ending fund balance for all special revenues combined was \$905, which is a decrease of \$4,294 from the close of the preceding year. All of the ending fund balance is in the National School Breakfast and Lunch Program as all other grants are reimbursement type grants. Revenues increased only \$544 as a loss in school lunch receipts was offset by a few new rural grants. Expenditures increased \$13,711 mainly due to new Title IV Part A grant.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$246,802 below final budget amounts. The most significant variance between actual and budgeted expenditures was in the area of instruction, where actual expenditures came in \$111,900 less than the final budgeted amount.

Additionally, resources available were \$215,966 above the final budgeted amount with state program revenues coming in \$179,033 above budget due to a new TEA hardship grant.

While most budget line items in the original budget were not materially different than in the final adopted budget, there was one exception. Curricular/extracurricular activities increased \$37,376 to purchase a 24-passenger bus. Concerning revenues, these budgets changed by only \$24,500 during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2018, the District had invested in a broad range of capital assets totaling \$681,178, net of accumulated depreciation, including land, buildings, and furniture and equipment. See Table 7 below.

Table 7 - CAPITAL ASSETS, NET

	2018	2017	\$ Change	% Change
Land	\$ 1,000	\$ 1,000	\$ -	0%
Buildings and improvements	579,594	604,579	(24,985)	-4%
Furniture and equipment	100,584	96,789	3,795	4%
Totals	\$ 681,178	\$ 702,368	\$ (21,190)	-3%

Capital assets, net of accumulated depreciation, decreased \$21,190 or 3% from the previous year. Additional information about the District's capital assets is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following indicators were taken into account when adopting the 2018-19 budget for the General Fund.

- Appraised value used for the 2018-19 budget preparation is up by \$5,816,176 million to \$91,753,225 million from \$85,937,049 million in the prior year, an increase of approximately 6.7%.
- General Fund spending per student will be approximately the same in the 2018-19 budget as in the 2017-18 fiscal year.
- The District's 2018-19 refined average daily attendance is expected to be 155, an increase of 5 students.

Amounts available for appropriation in the General Fund's budget are \$1,767,439, which is \$261,293 more than the final 2017-18 budget of \$1,506,146, due to the decline in property values mentioned above.

Expenditures in most budget categories are similar to the previous year, with the total expenditure budget for 2018-19 decreasing 3.5% compared to the final 2017-18 expenditure budget of \$1,853,314.

If these estimates are realized, the District's General Fund's fund balance will decrease by approximately \$21,347 during the year ended August 31, 2019.

The 2018-19 budget is very conservative both in the estimated revenue and estimated expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 Superintendent.

BASIC FINANCIAL STATEMENTS

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

Data Control Codes		1
		Governmental Activities
Assets		
1110	Cash and cash equivalents	\$ 216,734
1120	Current investments	1,501,755
1225	Property taxes receivable, net	30,712
1240	Due from other governments	114,955
1250	Accrued interest	300
1290	Other receivables	157
	Capital assets:	
1510	Land	1,000
1520	Buildings and improvements, net	579,594
1530	Furniture and equipment, net	100,584
1000	Total assets	<u>2,545,791</u>
Deferred outflows of resources		
1705	Pension-related outflows	137,374
1706	OPEB-related outflows	6,230
1700	Total deferred outflows of resources	<u>143,604</u>
Liabilities		
2110	Accounts payable	10,339
2160	Accrued wages payable	73,328
2200	Accrued expenses	2,269
	Noncurrent liabilities:	
2540	Net pension liability	252,457
2545	Net OPEB liability	500,438
2000	Total liabilities	<u>838,831</u>
Deferred inflows of resources		
2605	Pension-related inflows	112,573
2606	OPEB-related inflows	209,334
2600	Total deferred inflows of resources	<u>321,907</u>
Net Position		
3200	Net investment in capital assets	681,178
	Restricted for:	
3850	Food service	905
3900	Unrestricted	846,574
3000	Total net position	<u>\$ 1,528,657</u>

See accompanying notes to the basic financial statements.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Functions/Programs	1	3	4	6
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
	Governmental activities:				
11	Instruction	\$ 650,695	\$ -	\$ (108,869)	\$ (759,564)
12	Instructional resources and media services	13,383	-	(3,062)	(16,445)
13	Curriculum and staff development	3,826	-	-	(3,826)
23	School leadership	77,536	-	(18,736)	(96,272)
31	Guidance, counseling, & evaluation services	31,141	-	16,710	(14,431)
33	Health services	6,606	-	-	(6,606)
34	Student transportation	37,389	-	(4,614)	(42,003)
35	Food services	71,125	12,782	54,377	(3,966)
36	Cocurricular/extracurricular activities	48,529	7,162	(2,809)	(44,176)
41	General administration	153,195	-	(13,170)	(166,365)
51	Facilities maintenance and operations	155,462	-	(13,266)	(168,728)
52	Security and monitoring services	7,186	-	-	(7,186)
53	Data processing services	17,286	-	-	(17,286)
93	Payments to shared services arrangements	24,780	-	-	(24,780)
99	Other intergovernmental charges	15,634	-	-	(15,634)
TG	Total governmental activities	<u>\$ 1,313,773</u>	<u>\$ 19,944</u>	<u>\$ (93,439)</u>	<u>(1,387,268)</u>
	General revenues:				
MT	Property taxes, levied for general purposes				882,001
IE	Investment earnings				257
GC	Grants and contributions not restricted to specific programs				759,081
MI	Miscellaneous				1,695
TR	Total general revenues				<u>1,643,034</u>
CN	Change in net position				<u>255,766</u>
NB	Net position - beginning, as originally stated				2,150,351
PA	Prior period adjustment				(877,460)
	Net position - beginning, as restated				<u>1,272,891</u>
NE	Net position - ending				<u>\$ 1,528,657</u>

See accompanying notes to the basic financial statements.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		10 General Fund	Other Governmental Funds	98 Total Governmental Funds
Assets				
1110	Cash and cash equivalents	\$ 233,926	\$ (17,192)	\$ 216,734
1120	Current investments	1,501,755	-	1,501,755
1225	Property taxes receivable, net	30,712	-	30,712
1240	Due from other governments	88,400	26,555	114,955
1250	Accrued interest	300	-	300
1290	Other receivables	-	157	157
1000	Total assets	<u>\$ 1,855,093</u>	<u>\$ 9,520</u>	<u>\$ 1,864,613</u>
Liabilities				
2110	Accounts payable	\$ 9,778	\$ 561	\$ 10,339
2160	Accrued wages payable	65,665	7,663	73,328
2200	Accrued expenditures	1,878	391	2,269
2000	Total liabilities	<u>77,321</u>	<u>8,615</u>	<u>85,936</u>
Deferred inflows of resources				
	Unavailable property taxes	30,712	-	30,712
2600	Total deferred inflows of resources	<u>30,712</u>	<u>-</u>	<u>30,712</u>
Fund balances				
Restricted fund balances:				
3450	Federal/state funds grant restrictions	-	905	905
Committed fund balances:				
3510	Construction	800,000	-	800,000
3600	Unassigned	947,060	-	947,060
3000	Total fund balances	<u>1,747,060</u>	<u>905</u>	<u>1,747,965</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,855,093</u>	<u>\$ 9,520</u>	<u>\$ 1,864,613</u>

See accompanying notes to the financial statements.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2018

Data
Control
Codes

1 Total fund balances - governmental funds (Exhibit C-1) \$ 1,747,965

Amounts reported for *governmental activities* in the Statement of Net Position (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:

	Gross capital assets	\$ 1,796,356	
2	Related accumulated depreciation	<u>1,115,178</u>	681,178

3	Property taxes receivable are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.		30,712
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The District's net pension and OPEB liabilities and related deferred outflows and inflows related to its proportionate share of the Teacher Retirement System pension and OPEB plans are not due and payable in the current period and are, therefore, not reported in the governmental funds financial statements. These items consist of:

	Net pension liability	(252,457)	
	Deferred outflows - pension related items	137,374	
	Deferred inflows - pension related items	(112,573)	
	Net OPEB liability	(500,438)	
	Deferred outflows - OPEB related items	6,230	
4	Deferred inflows - OPEB related items	<u>(209,334)</u>	<u>(931,198)</u>

19	Total net position - governmental activities (Exhibit A-1)		<u>\$ 1,528,657</u>
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See accompanying notes to the basic financial statements.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		10 General Fund	Other Governmental Funds	98 Total Governmental Funds
Revenues				
5700	Local and intermediate sources	\$ 885,238	\$ 12,782	\$ 898,020
5800	State program revenues	794,579	22,438	817,017
5900	Federal program revenues	42,295	115,991	158,286
5020	Total revenues	<u>1,722,112</u>	<u>151,211</u>	<u>1,873,323</u>
Expenditures				
Current:				
0011	Instruction	898,100	59,900	958,000
0012	Instructional resources and media services	18,381	-	18,381
0013	Curriculum and staff development	3,713	-	3,713
0023	School leadership	116,544	-	116,544
0031	Guidance, counseling, & evaluation services	13,510	16,711	30,221
0033	Health services	6,411	-	6,411
0034	Student transportation	44,440	-	44,440
0035	Food services	2,499	86,294	88,793
0036	Cocurricular/extracurricular activities	77,840	-	77,840
0041	General administration	181,427	-	181,427
0051	Facilities maintenance and operations	179,484	-	179,484
0052	Security and monitoring services	6,974	-	6,974
0053	Data processing services	16,775	-	16,775
0093	Payments to shared service arrangements	24,780	-	24,780
0099	Other intergovernmental charges	15,634	-	15,634
6030	Total expenditures	<u>1,606,512</u>	<u>162,905</u>	<u>1,769,417</u>
1100	Excess of revenues over (under) expenditures	<u>115,600</u>	<u>(11,694)</u>	<u>103,906</u>
Other financing sources (uses)				
7915	Transfers in	-	7,400	7,400
8911	Transfers out	(7,400)	-	(7,400)
7080	Total other financing sources (uses)	<u>(7,400)</u>	<u>7,400</u>	<u>-</u>
1200	Net change in fund balance	108,200	(4,294)	103,906
0100	Fund balances - beginning	1,638,860	5,199	1,644,059
3000	Fund balances - ending	<u>\$ 1,747,060</u>	<u>\$ 905</u>	<u>\$ 1,747,965</u>

See accompanying notes to the basic financial statements.

**PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018**

Net change in fund balances - total governmental funds (Exhibit C-2)		\$ 103,906
Amounts reported for <i>governmental activities</i> in the Statement of Activities (Exhibit B-1) are different because:		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:</p>		
Capital outlay during the year	\$ 30,520	
Depreciation expense for the year	<u>51,709</u>	(21,189)
Because property tax receivables will not be collected for several months after the District's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred inflows increased by this amount this year.		5,878
The District participates in a defined benefit pension plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. Payments were less than the actuarial expense in the current year.		(6,747)
The District participates in an OPEB plan through TRS. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, OPEB expenses are recognized on an actuarial basis. Payments were more than the actuarial expense in the current year.		<u>173,918</u>
Change in net position of governmental activities (Exhibit B-1)		<u>\$ 255,766</u>

See accompanying notes to the basic financial statements.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AUGUST 31, 2018

Data Control Codes		Private-Purpose Trust Fund <u>Local Scholarship Fund</u>	Agency Fund <u>Student Activity</u>
	Assets		
1110	Cash and cash equivalents	\$ 2,646	\$ 24,261
1000	Total assets	<u>2,646</u>	<u>24,261</u>
	Liabilities		
	Current Liabilities:		
2190	Due to student groups	-	24,261
2000	Total liabilities	<u>-</u>	<u>24,261</u>
	Net Position		
3800	Held in trust	2,646	-
	Total net position	<u>\$ 2,646</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AUGUST 31, 2018

	Private-Purpose Trust Fund
	<u>Local Scholarship Fund</u>
Additions:	
Gifts and contributions	\$ 1,740
Investment income	1
Total additions	<u>1,741</u>
Deductions:	
Scholarship awards	1,850
Total deductions	<u>1,850</u>
Change in net position	(109)
Net position - beginning of year	<u>2,755</u>
Net position - end of year	<u><u>\$ 2,646</u></u>

See accompanying notes to the basic financial statements.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies

The basic financial statements of Prairie Valley Independent School District (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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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 funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental fund:

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.

In addition, the District reports the following fund types:

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

Governmental Funds:

Special Revenue Funds: The District accounts for activities funded with restricted or committed revenues in special revenue funds. Most federal and some state grant programs are accounted for in these funds, as well as the District's campus activity funds.

Fiduciary Funds:

Private-Purpose Trust Funds: The District accounts for donations for which the donor stipulated that both the principal and income may be used for purposes that benefit parties outside the District.

Agency Funds: The District accounts for resources held for others in a custodial capacity in agency funds.

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 and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They 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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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 are reported as expenditures in governmental funds. Proceeds of general long-term debt and 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. 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

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2018

purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate charges. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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 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.

The allowance for uncollectible tax receivables within the General Fund is 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.

At August 31, 2018, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$49,506
Allowance for uncollectible taxes	(18,794)
Net property taxes receivable	<u>\$30,712</u>

c. Inventories and Prepaid Items

Supplies and materials are recorded as expenditures when requisitioned. Inventory is stated at cost using the first-in, first-out method. Inventory in the General Fund consists of expendable parts and supplies. Inventory in the Other Governmental Funds consists primarily of food service commodities.

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

d. Deferred Outflows/Inflows of Resources

Deferred outflows of resources refers to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources has a positive effect on net position, similar to assets. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred outflows of resources are not assets.

Deferred inflows of resources refers to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources has a negative effect on net position, similar to liabilities. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred inflows of resources are not liabilities.

e. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital 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 \$5,000 is used.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20-50 years
Furniture and equipment	5-15 years

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, except for delinquent taxes receivable, which are not scheduled for collection within one year of year end. Of the \$49,506 outstanding at August 31, 2018, it is expected that the District will collect approximately \$10,000 during the upcoming year.

g. 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 on the government-wide statement of net position.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

i. 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 (passage of resolution) 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. Commitments 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

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

amounts that are not restricted or committed in a special revenue 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 funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

j. New Accounting Standard Adopted

In fiscal year 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

k. 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 insure accuracy in building a statewide database for policy development and funding plans.

4. Pension

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.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

5. Other Post-Employment Benefits

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

The District had no violations of finance-related legal and contractual provisions for the year ended August 31, 2018.

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

The District does not have any funds with a deficit fund balance or deficit net position.

C. Deposits and Investments

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, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,718,489 and the bank balance was \$1,727,801. The District's cash deposits at August 31, 2018, and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (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 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, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

The District's investments at August 31, 2018, are shown below.

<u>Investment or Investment Type</u>	<u>Weighted Average Maturity (Months)</u>	<u>Fair Value</u>
Certificates of deposit	5, 6	<u>\$1,501,755</u>

Fair Value

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability. At August 31, 2018, the District had no assets or liabilities subject to fair value categorization. The District's investments in certificates of deposit are categorized using level 2 inputs.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

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. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not 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's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2018

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This 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.

D. Interfund Balances and Activities

1. Due To and From Other Funds

There were no balances due to / due from other funds at August 31, 2018.

2. Transfers To and From Other Funds

Transfers to / from other funds for the year ended August 31, 2018 consist of the following:

<u>Transfers From</u> General Fund	<u>Transfers To</u> Other Governmental Funds	<u>Amount</u> <u>\$7,400</u>	<u>Purpose</u> Supplement other fund sources
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E. Capital Assets

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

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Capital assets being depreciated:				
Buildings and improvements	1,156,470	-	-	1,156,470
Furniture and equipment	608,366	30,520	-	638,886
Total capital assets being depreciated	1,764,836	30,520	-	1,795,356
Less accumulated depreciation for:				
Buildings and improvements	551,891	24,984	-	576,875
Furniture and equipment	511,578	26,725	-	538,303
Total accumulated depreciation	1,063,469	51,709	-	1,115,178
Total capital assets being depreciated, net	701,367	(21,189)	-	680,178
Governmental activities capital assets, net	\$ 702,367	(\$21,189)	\$ -	\$ 681,178

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED AUGUST 31, 2018

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$29,166
Instructional Resources and Media Services	560
Curriculum and Staff Development	113
School Leadership	3,548
Guidance, Counseling, & Evaluation Services	920
Health Services	195
Student Transportation	1,353
Food Services	2,703
Extracurricular Activities	1,609
General Administration	5,523
Facilities Maintenance and Operations	5,296
Security and Monitoring Services	212
Data Processing Services	<u>511</u>
Total governmental depreciation	<u>\$51,709</u>

F. Risk Management

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 2018, 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.

G. Defined Benefit 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 TRS. It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

2. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 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 a 2.3 percent multiplier times the average of the five highest annual creditable salaries times years of credited service to arrive

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

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at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on the date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

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 6.0% 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 a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

Contribution rates for the Plan fiscal years (September through August) 2017 and 2018 follow:

	Contribution Rates for Plan Fiscal Year:	
	2017	2018
Members (Employees)	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employer (District)	6.8%	6.8%

Contributions for the Plan fiscal year 2017 follow:

Members (Employees)	\$80,618
Non-Employer Contributing Entity (State)	\$61,398
Employer (District)	\$25,827

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

As the non-employer contributing entity for public education 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 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 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.

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- 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 Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily 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 8.0%. There was no change in the discount rate since the previous fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8.0%. 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

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return by weighing 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 System's target asset allocation as of August 31, 2017 are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-term Portfolio Returns *</u>
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%
Stable Value Hedge Funds	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	0%	0%	2.2%
Alpha	<u>0%</u>	<u>0%</u>	<u>1.0%</u>
Total	<u>100%</u>		<u>8.7%</u>

* -The Expected Contribution to Returns incorporates the volatility drag resulting 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 of the plan if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>7%</u>	<u>8%</u>	<u>9%</u>
District's proportional share of the net pension liability	<u>\$425,590</u>	<u>\$252,457</u>	<u>\$108,292</u>

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

At August 31, 2018, the District reported a liability of \$252,457 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for the 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:

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District's proportionate share of the collective net pension liability	\$252,457
State's proportionate share that is associated with the District	<u>600,263</u>
Total	<u>\$852,720</u>

The net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2016 through August 31, 2017.

At August 31, 2017, the District's proportion of the collective net pension liability was 0.00078955%, which was a decrease of .00011743% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$45,786 and revenue of \$61,398 for support provided by the State.

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

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 3,694	\$ 13,615
Changes in actuarial assumptions	11,500	6,583
Difference between projected and actual investment earnings	38,825	57,223
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	58,491	35,152
Contributions paid to TRS subsequent to the measurement date	<u>24,864</u>	<u>-</u>
Total	<u>\$137,374</u>	<u>\$112,573</u>

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

<u>Year Ended August 31</u>	<u>Pension Exp. Amount</u>
2019	\$ 116
2020	16,231
2021	(1,121)
2022	(6,134)
2023	(4,344)
Thereafter	(4,813)

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

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FOR THE YEAR ENDED AUGUST 31, 2018

H. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

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

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

TRS-Care Plan Premium Rates			
Effective September 1, 2016 – December 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree *	\$ 0	\$ 70	\$100
Retiree and Spouse	20	175	255
Retiree * and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

4. Contributions

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

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Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers (District)	0.55%	0.75%
Federal/private funding remitted by Employers	1.00%	1.25%
2017 Employer Contributions	\$ 6,038	
2017 Member Contributions	\$ 6,805	
2017 NECE On-behalf Contributions	\$10,143	

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

5. Actuarial Assumptions

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

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

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Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Other Information:

There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

6. Discount Rate

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease <u>2.42%</u>	Current Discount Rate <u>3.42%</u>	1% Increase <u>4.42%</u>
District's proportionate share of the net OPEB liability	<u>\$590,640</u>	<u>\$500,438</u>	<u>\$427,933</u>

The following schedule presents the net OPEB liability of the plan using the assumed healthcare cost trend rate as well as what the net OPEB liability would be if it were calculated using a trend ratio that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease <u>2.42%</u>	Current Discount Rate <u>3.42%</u>	1% Increase <u>4.42%</u>
District's proportionate share of the current healthcare cost trend rate	<u>\$416,665</u>	<u>\$500,438</u>	<u>\$610,359</u>

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

At August 31, 2018, the District reported a liability of \$500,438 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for the State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 500,438
State's proportionate share that is associated with the District	<u>848,428</u>
Total	<u>\$1,348,866</u>

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the District's proportion of the collective net OPEB liability was 0.0011507958%, which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

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

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

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

For the year ended August 31, 2018, the District recognized negative OPEB expense of (\$283,906) and revenue of \$10,143 for support provided by the State.

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

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	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ -	\$ 10,447
Changes in actuarial assumptions	-	198,887
Difference between projected and actual investment earnings	76	-
Changes in proportion and difference between District contributions and proportionate share of contributions	1	-
Contributions paid to TRS subsequent to the measurement date	<u>6,153</u>	<u>-</u>
Total	<u>\$6,230</u>	<u>\$209,334</u>

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

Plan Year Ended <u>August 31</u>	<u>OPEB Exp. Amount</u>
2019	\$27,611
2020	27,612
2021	27,612
2022	27,612
2023	27,631
Thereafter	71,180

I. Commitments and Contingencies

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 collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District as of August 31, 2018.

J. Shared Services Arrangements

Shared Services Arrangement – Membership

The District participates in a shared service arrangement (SSA) for special education services with the following school districts:

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Nocona ISD
 Bowie ISD
 Saint Jo ISD
 Forestburg ISD
 Goldburg CISD
 Montague ISD

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 capital assets purchased by the fiscal agent, Henrietta ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

K. Economic Dependency

Of the District's total October 1, 2017 property tax levy (\$871,893), one taxpayer represents \$72,683, which is approximately 8.3% of the total levy. The District is economically dependent on the tax revenues generated from that taxpayer.

L. Prior Period Adjustment

For fiscal year ended August 31, 2018, the District implemented GASB Statement No. 75. As a result, a prior period adjustment to the beginning net position for governmental activities for applicable post-employment benefits other than pensions (OPEB) is required. The adjustment is as follows:

Net position as previously stated on August 31, 2017	\$2,150,351
Plus August 31, 2017 deferred outflows – 2017 contributions	6,038
Less August 31, 2016 net OPEB liability (measurement date)	(883,498)
Net position as restated on August 31, 2017	<u>\$1,272,891</u>

M. Statement of Activities Negative Operating Grants

With the implementation of GASB 75, the District is required to report on-behalf contributions at the government-wide level for their proportion of the change in OPEB liability and deferred balances recognized by the State of Texas on-behalf of the District. For the current year, as described in Note H, the current year OPEB expense recognized by the State of Texas was a negative \$283,906 and the actual on-behalf payments were \$10,143. Therefore, \$294,049 in negative operating grant income is recognized at the government-wide level. As a result of this negative income, the Statement of Activities reflects an overall operating grant (loss) of \$93,439. Had this adjustment not been required, the District would have reflected \$200,610 in program revenue for operating grants and contributions on the Statement of Activities.

REQUIRED SUPPLEMENTARY INFORMATION

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
Revenues:					
5700	Local and intermediate sources	\$ 866,000	\$ 883,000	\$ 885,238	\$ 2,238
5800	State program revenues	615,546	615,546	794,579	179,033
5900	Federal program revenues	100	7,600	42,295	34,695
5020	Total revenues	<u>1,481,646</u>	<u>1,506,146</u>	<u>1,722,112</u>	<u>215,966</u>
Expenditures:					
Current:					
Instruction & instructional related services:					
0011	Instruction	1,042,717	1,010,000	898,100	111,900
0012	Instructional resources and media services	23,060	23,060	18,381	4,679
0013	Curriculum and staff development	3,000	4,500	3,713	787
	Total instruction and instructional related services	<u>1,068,777</u>	<u>1,037,560</u>	<u>920,194</u>	<u>117,366</u>
Instructional and school leadership:					
0023	School leadership	113,518	130,000	116,544	13,456
	Total instructional and school leadership	<u>113,518</u>	<u>130,000</u>	<u>116,544</u>	<u>13,456</u>
Support services - student (pupil):					
0031	Guidance, counseling and evaluation services	21,523	21,523	13,510	8,013
0033	Health services	7,426	10,426	6,411	4,015
0034	Student transportation	45,617	52,617	44,440	8,177
0035	Food services	2,432	2,800	2,499	301
0036	Cocurricular/extracurricular activities	52,624	90,000	77,840	12,160
	Total support services - student (pupil)	<u>129,622</u>	<u>177,366</u>	<u>144,700</u>	<u>32,666</u>
Administrative support services:					
0041	General administration	191,698	191,698	181,427	10,271
	Total administrative support services	<u>191,698</u>	<u>191,698</u>	<u>181,427</u>	<u>10,271</u>
Support services - nonstudent based:					
0051	Facilities maintenance and operations	220,190	220,190	179,484	40,706
0052	Security and monitoring services	5,200	8,500	6,974	1,526
0053	Data processing services	30,000	30,000	16,775	13,225
	Total support services - nonstudent based	<u>255,390</u>	<u>258,690</u>	<u>203,233</u>	<u>55,457</u>
Intergovernmental charges:					
0093	Payments to SSAs	30,000	30,000	24,780	5,220
0099	Other intergovernmental charges	28,000	28,000	15,634	12,366
	Total intergovernmental charges	<u>58,000</u>	<u>58,000</u>	<u>40,414</u>	<u>17,586</u>
6030	Total expenditures	<u>1,817,005</u>	<u>1,853,314</u>	<u>1,606,512</u>	<u>246,802</u>
1100	Excess of revenues over (under) expenditures	<u>(335,359)</u>	<u>(347,168)</u>	<u>115,600</u>	<u>462,768</u>

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)	
	Original	Final			
	Other financing sources (uses):				
8911	Transfers out	(5,000)	(17,000)	(7,400)	9,600
7080	Total other financing sources (uses)	(5,000)	(17,000)	(7,400)	9,600
1200	Net change in fund balance	(340,359)	(364,168)	108,200	472,368
0100	Fund balance - beginning	1,638,860	1,638,860	1,638,860	-
3000	Fund balance - ending	<u>\$ 1,298,501</u>	<u>\$ 1,274,692</u>	<u>\$ 1,747,060</u>	<u>\$ 472,368</u>

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2017

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	<u>0.0007896%</u>	<u>0.0009070%</u>	<u>0.0009028%</u>	<u>0.0005869%</u>
District's proportionate share of the net pension liability	\$ 252,457	\$ 342,734	\$ 319,128	\$ 156,769
State's proportionate share of the net pension liability associated with the District	<u>600,263</u>	<u>692,854</u>	<u>645,143</u>	<u>545,086</u>
Total	<u>\$ 852,720</u>	<u>\$ 1,035,588</u>	<u>\$ 964,271</u>	<u>\$ 701,855</u>
District's covered payroll	<u>\$1,046,995</u>	<u>\$ 965,617</u>	<u>\$ 900,494</u>	<u>\$ 871,666</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>24.11%</u>	<u>35.49%</u>	<u>35.44%</u>	<u>17.98%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83.25%</u>	<u>78.00%</u>	<u>78.43%</u>	<u>83.25%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been prepared.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2017

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 24,864	\$ 23,769	\$ 21,539	\$ 26,731
Contributions in relation to the contractually required contribution	<u>(24,864)</u>	<u>(23,769)</u>	<u>(21,539)</u>	<u>(26,731)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 1,024,323</u>	<u>\$ 1,046,995</u>	<u>\$ 965,617</u>	<u>\$ 900,494</u>
Contributions as a percentage of covered payroll	<u>2.43%</u>	<u>2.27%</u>	<u>2.23%</u>	<u>2.97%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been prepared.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OTHER POST EMPLOYMENT BENEFIT (OPEB) LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2018

	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.0001150796%</u>
District's proportionate share of the net pension liability	\$ 500,438
State's proportionate share of the net pension liability associated with the District	<u>848,428</u>
Total	<u>\$ 1,348,866</u>
District's covered payroll	<u>\$ 1,046,995</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>47.80%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>0.91%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been prepared.

The column label is the District's fiscal year. The data is derived from the Teacher Retirement System of Texas' Comprehensive Annual Financial Report for the preceding year.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S OTHER POST EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2018

	<u>2018</u>
Contractually required contribution	\$ 6,153
Contributions in relation to the contractually required contribution	<u>(6,153)</u>
Contribution deficiency	<u>\$ -</u>
District's covered payroll (District's fiscal year)	\$ 1,024,323
Contributions as a percentage of covered payroll	<u>0.60%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Note - the contractually required contribution is for the District's indicated fiscal year.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

A. Budget

1. Basis of Budgeting

The Prairie Valley Independent School District's (District) budget for the General Fund is prepared and presented on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

2. Budget Process

a. Budgeting

Annual budgets are legally adopted for the General Fund and Food Service Fund. The annual budget is presented in the accompanying schedule for the General Fund. The following procedures are used in establishing the budgetary data reflected in that schedule:

1. Prior to August 20th of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1st, the budget is legally enacted through passage of a resolution by the Board of Trustees.

The budget is prepared and controlled by the budget officer at the revenue object and expenditure function level.

The official budget for the General Fund was prepared and adopted through Board resolution before August 31, 2017. The administration performs budget reviews by which budget requirements are re-evaluated and revisions recommended to the Board. The Board may approve amendments to the budget, which are required when a change is made to the functional expenditure categories or revenue object accounts, as defined by the Texas Education Agency. Total expenditures may exceed total appropriations, as amended, by fund as long as those expenditures are certified as being available by the budget officer to the Board. The budget amounts reflected in the accompanying schedule represent final amended budget amounts as approved by the Board.

b. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. There are no outstanding encumbrances at year-end as all encumbrances at that date are canceled and re-appropriated in the subsequent fiscal year's budget to provide for their liquidation.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

B. Defined Benefit Pension Plan

1. Change of Benefit Terms

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

2. Changes of Assumptions

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

C. OPEB Plan

1. Change of Benefit Terms

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

2. Changes of Assumptions

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

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

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

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

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

OTHER SUPPLEMENTARY INFORMATION SECTION

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018

Fiscal Year Ending August 31,	1		2		3
	Tax Rates				Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	Maintenance	Debt Service	
2009 and Prior Years	\$ Various	\$ Various			\$ Various
2010	1.04	-			133,594,615
2011	1.04	-			96,433,929
2012	1.04	-			128,782,212
2013	1.04	-			162,380,377
2014	1.04	-			147,841,827
2015	1.04	-			166,810,041
2016	1.04	-			124,830,769
2017	1.04	-			87,371,731
2018 (School year under audit)	1.04	-			83,835,865
1000 Totals					

EXHIBIT J-1

10 Beginning Balance 9/1/2017	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2018
\$ 8,572	\$ -	\$ 25	\$ -	\$ (580)	\$ 7,967
1,146	-	10	-	-	1,136
1,132	-	11	-	(1)	1,120
1,168	-	10	-	-	1,158
1,549	-	20	-	-	1,529
2,430	-	377	-	-	2,053
3,854	-	1,399	-	10	2,465
8,154	-	1,862	-	-	6,292
13,606	-	6,058	-	(667)	6,881
-	871,893	851,619	-	(1,369)	18,905
<u>\$ 41,611</u>	<u>\$ 871,893</u>	<u>\$ 861,391</u>	<u>\$ -</u>	<u>\$ (2,607)</u>	<u>\$ 49,506</u>

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 12,508	\$ 12,508	\$ 12,783	\$ 275
5800	State program revenues	300	300	417	117
5900	Federal program revenues	63,000	58,000	61,401	3,401
5020	Total revenues	<u>75,808</u>	<u>70,808</u>	<u>74,601</u>	<u>3,793</u>
	Expenditures:				
	Current:				
	Support services - student (pupil):				
0035	Food services	80,808	93,000	86,295	6,705
	Total support services - student (pupil)	<u>80,808</u>	<u>93,000</u>	<u>86,295</u>	<u>6,705</u>
6030	Total expenditures	<u>80,808</u>	<u>93,000</u>	<u>86,295</u>	<u>6,705</u>
1100	Excess of revenues over (under) expenditures	<u>(5,000)</u>	<u>(22,192)</u>	<u>(11,694)</u>	<u>10,498</u>
	Other financing sources:				
7915	Transfers in	5,000	17,000	7,400	(9,600)
7080	Total other financing sources	<u>5,000</u>	<u>17,000</u>	<u>7,400</u>	<u>(9,600)</u>
1200	Net change in fund balance	-	(5,192)	(4,294)	898
0100	Fund balance - beginning	5,199	5,199	5,199	-
3000	Fund balance - ending	<u>\$ 5,199</u>	<u>\$ 7</u>	<u>\$ 905</u>	<u>\$ 898</u>



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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A. PAUL FLEMING, CPA

Independent Auditor's 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
Prairie Valley Independent School District
12920 FM 103
Nocona, Texas 76255

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, each major fund, and the aggregate remaining fund information of Prairie Valley Independent School District (District) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 27, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Edgin, Parkman, Fleming & Fleming, PC

November 27, 2018

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to the financial statements noted? Yes No

2. Federal Awards

A Single Audit was not required for the year ended August 31, 2018.

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

Audit Corrective Action Plan Year Ended August 31, 2018

There were no findings in the current year.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings Year Ended August 31, 2018

There were no findings in the prior year.

PRAIRIE VALLEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL
FIRST INDICATORS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2018

<u>Data Control Codes</u>	<u>Responses</u>
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4 Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7 Did the 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 not 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?	\$ -
SF11 Net Pension Assets (object 1920) at fiscal year-end.	\$ -
SF12 Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 252,457
SF13 Pension Expense (object 6147) at fiscal year-end	\$ -