



Pasadena, TX



PASADENA

INDEPENDENT SCHOOL DISTRICT



2017 Comprehensive Annual Financial Report

for the fiscal year ended August 31, 2017

Prepared by the Business & Finance Department | 1515 Cherrybrook Ln., Pasadena, TX 77502



www.pasadenaisd.org





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Mission Statement



The mission of Pasadena ISD,
the gateway to unlimited opportunity
for our culturally rich community,
is to empower students to become
accomplished, self-directed,
collaborative, lifelong learners,
who boldly contribute to an increasingly
complex and evolving world by
engaging them in positive relationships,
rigorous curriculum, and
innovative meaningful experiences.





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PASADENA INDEPENDENT SCHOOL DISTRICT

Pasadena, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended August 31, 2017

DeeAnn Powell Ed. D
Superintendent of Schools

John M. Piscacek
Associate Superintendent,
Business and Finance

PASADENA INDEPENDENT SCHOOL DISTRICT

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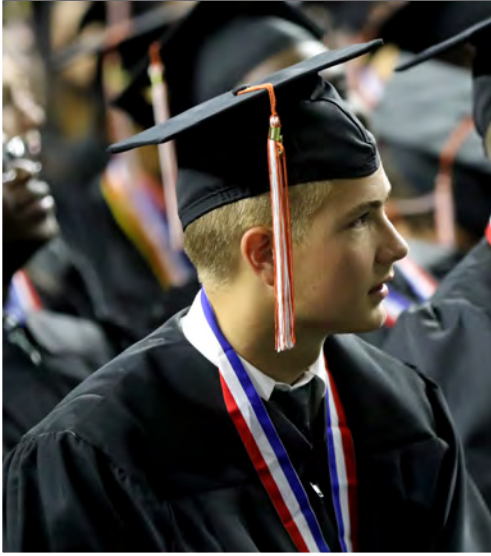
PASADENA INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION





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PASADENA INDEPENDENT SCHOOL DISTRICT

Board of Trustees, Length of Service, Term Expiration

Vickie Morgan, President, 32 Years, 2019

Jack Bailey, Vice-President, 7 Years, 2021

Nelda Sullivan, Secretary, 25 Years, 2021

Mariselle Quijano, Assistant Secretary, 8 Years, 2021

Kenny Fernandez, Trustee, 2 Years, 2019

Marshall Kendrick, Trustee, 29 Years, 2019

Fred Roberts, Trustee, 25 Years, 2021

For pictures and profiles visit

www1.pasadenaisd.org/cms/One.aspx?portalId=80772&pageId=217627

Superintendent of Schools

Dr. DeeAnn Powell

Administrative Cabinet

Karen Hickman, Deputy Superintendent - Academic Achievement

Kevin Fornof, Associate Superintendent - Facilities & Construction

Barbara Fuqua, Associate Superintendent - Accountability & Compliance

Gloria Gallegos, Associate Superintendent - Special Programs

Troy McCarley, Associate Superintendent - of Projects, Planning, & Communications

Dr. Steve Fullen, Associate Superintendent - Campus Development

Alyta Harrell, Associate Superintendent - Campus Development

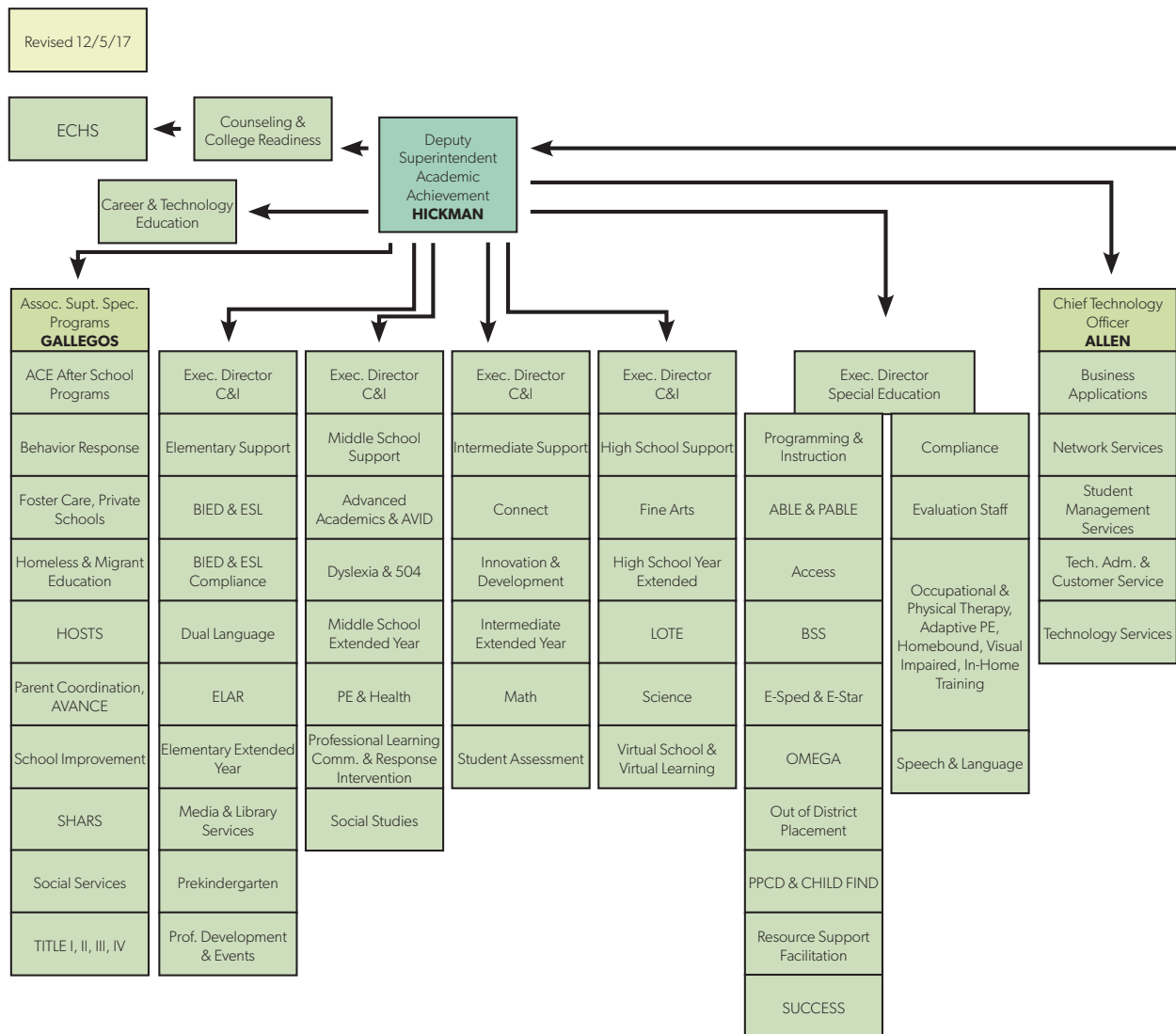
Rhonda Parmer, Associate Superintendent - Campus Development

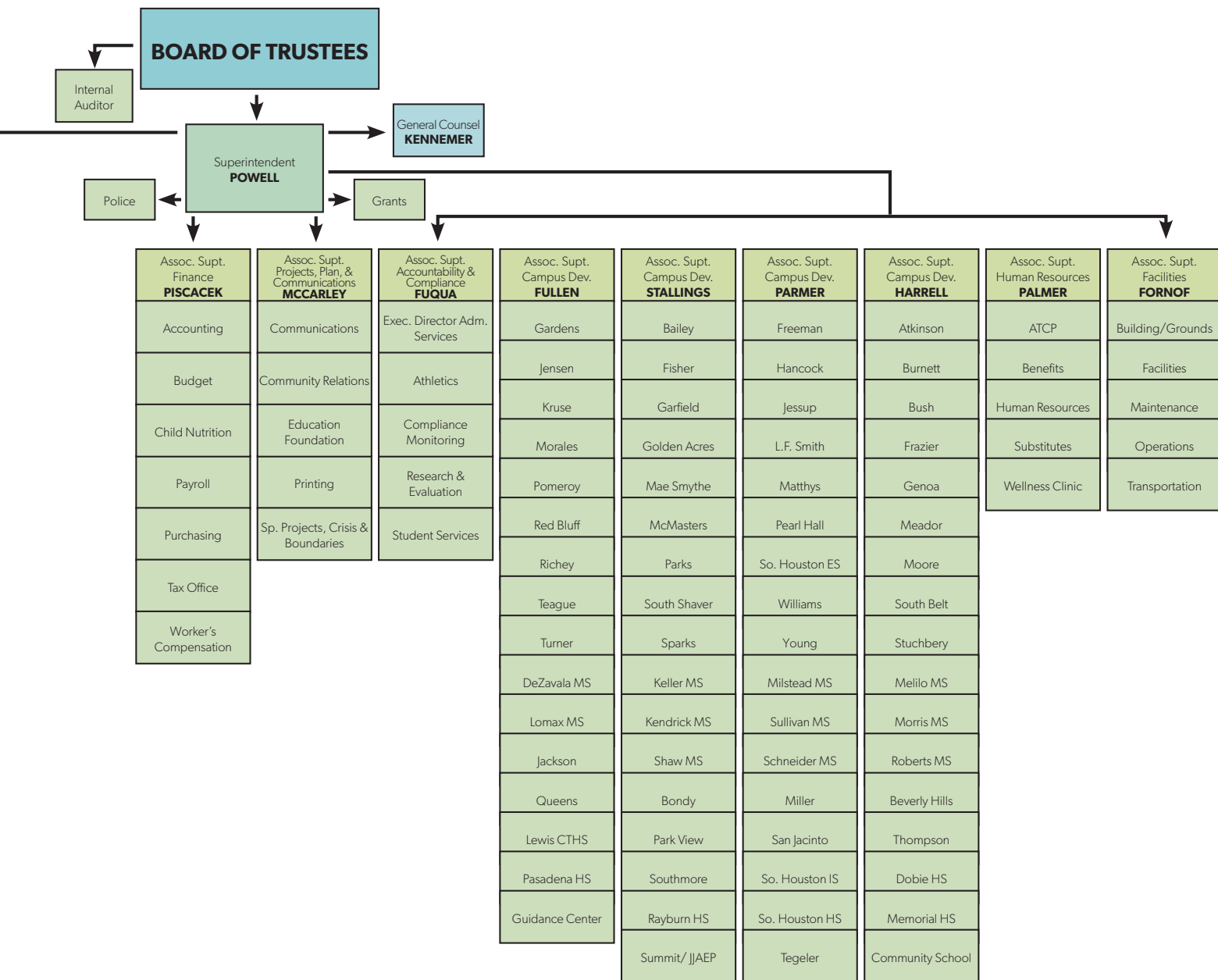
Dr. Angela Stallings, Associate Superintendent - Campus Development

Keith Palmer, Associate Superintendent - Human Resources

John Piscacek, Associate Superintendent - Business & Finance

Jodie Kennemer - General Counsel







Pasadena Independent School District

DeeAnn Powell, Ed.D.
Superintendent

January 23, 2018

Members of the Board of Trustees and
Citizens of Pasadena Independent School District
1515 Cherrybrook Lane
Pasadena, Texas 77502

Dear Board Members and Citizens:

The Texas Education Code requires that all school districts file and publish a complete set of financial statements with the Texas Education Agency ("TEA") within 150 days of the close of each fiscal year. The financial statements must be presented in conformity with generally accepted accounting principles ("GAAP") and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Pasadena Independent School District (the "District") for the fiscal year ended August 31, 2017. The CAFR is management's report of financial operations to the Board of Trustees (the "Board"), taxpayers, grantor agencies, employees, the TEA, and other interested parties.

This report consists of management's representations concerning the financial condition and operations of the District. Accordingly, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. The District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement because the cost of internal controls should not outweigh their benefits. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Weaver and Tidwell, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion and that the District's financial statements for the period ended August 31, 2017, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District was part of a broader, federally- mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented as part of the CAFR's Federal Awards Section.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Auditors' Report.

Profile of the District

The Pasadena Independent School District, established in 1898, encompasses 85.5 square miles in southeast Harris County just east of Houston, Texas. The District covers portions of the cities of Pasadena, Pearland and Houston, all of the City of South Houston and an unincorporated area of Harris County.

The District is a political subdivision of the State of Texas governed by a seven-member Board of Trustees who serves staggered four-year terms. Elections are held in May of every other year. The District has a population of approximately 275,000 and employs over 8,100 employees, 3,846 of which are classroom teachers. These employees provide educational services for 56,282 students enrolled in the District. In the last five years, the student enrollment growth has averaged 1.25% annually.

As the sixteenth largest district in the state of Texas, the District now serves thirty-six elementary schools (pre-kindergarten through fourth), eleven middle schools (fifth and sixth grade), ten intermediate schools (seventh and eighth grade), six high schools (ninth through twelfth grade), and four alternative or specialized campuses. Hispanic students make up 83% of the student body with the remainder of the student population being comprised of 6% White, 7% African American, 3% Asian, and 1% American Indian, Pacific Islander or Two or More Races reported.

Budgeting

The Texas Education Code requires that the district budget be prepared by August 20, in accordance with Generally Accepted Accounting Principles (GAAP), and be legally adopted before the adoption of the tax rate. Beginning in February, revenue estimates are made based on projected enrollments which drive State aid, estimated property values for local funding, and possible legislative actions. Budgets for the General Fund, Food Service Fund and Debt Service Fund must be included in the official district budget. These budgets must be prepared and approved at least at the fund and function levels to comply with the state's legal level of control mandates. Budgetary reporting also is required within the comprehensive annual financial report to demonstrate compliance at the legal level of control for all governmental funds with legally adopted annual budgets.

On the expenditure side, the business office calculates the impact of changes to the pay scales on the budget. Projected State funding increases permitted a 2.25 % salary increase for 2016-2017. In March and April 2016, personnel requests and staffing changes were reviewed in relation to student/teacher ratios, student demographics, and/or special programs.

Schools receive a basic allotment (weighted for special populations) per student for supplies and materials, staff development expenses, and other operating costs. These allocations address equity issues between schools. In addition, a school may request additional funds for special needs on that campus, addressing the adequacy issue. These "special requests" are evaluated and prioritized to determine those addressing the greatest needs for the district.

Non-campus budgets are developed to support the instructional program. Department managers submit justifications for requests, especially any increases over current year budgets and/or prior year expenditures. Budget managers may also submit requests for facility upgrades. These requests are evaluated according to the costs of the project, age of the building, impact on the instructional program, and whether the request can be coordinated with other construction activities already scheduled.

All requests are evaluated in light of revised revenue projections to ensure that resources are adequate to balance the budget. Several budget workshops are held with the Board during the summer to receive their input and direction. Once the budget is adopted in August, the tax rate may be set when the certified taxable values have been determined.

Major Initiatives

"The mission of the Pasadena Independent School District, the gateway to unlimited opportunity for our culturally rich community, is to empower students to become accomplished, self-directed, collaborative, lifelong learners, who boldly contribute to an increasingly complex and evolving world by engaging them in positive relationships, rigorous curriculum, and innovative meaningful experiences."

The District developed a five-year strategic plan to help ensure that all of our energies and resources are being dedicated to the right areas to guide the district to success in achieving its objectives:

1. We will ensure rigorous curriculum and meaningful experiences through innovative learning environments that meet the individual needs of each student.
2. We will promote career and college exploration and preparation through the use of systems and structures to meet the needs of all.
3. We will actively recruit, develop, and retain a highly qualified staff.
4. We will use a culturally responsive approach to relentlessly pursue meaningful engagement with parental, business, and community stakeholders.
5. We will promote a safe school environment, teach citizenship, and support the social, emotional and physical well-being of all students and staff.
6. We will promote an exemplary learning environment through the utilization of ancillary service departments that integrate established and innovative practices, standards, and systems.

Factors Affecting the Financial Condition

Local Economy

While much of the economic base for the community is the petrochemical industry, PISD's boundaries encompass relatively few major corporations compared with surrounding districts. Of the approximately 3,500 businesses within the Pasadena city limits, two-thirds are involved in retail trade. Total taxable property values within the PISD, net of mandatory and optional exemptions, is projected to exceed \$13 billion for the school year 2017-2018. Per student spending is expected to increase from \$8,553 to \$8,765 in the 2017-2018 school year to facilitate the opening of new schools, a ninth grade center to alleviate overcrowding at J. Frank Dobie High School as well as four new Early College High School facilities. Prior to Hurricane Harvey, refined average daily attendance (ADA) was expected to increase in the 2017-2018 school year by 1% to 52,250, up from 51,731, in 2016-2017. Total enrollment was expected to increase to 56,800 during the 2017-2018 school year, an increase of 538 students, or approximately 25 classrooms.

These indicators were taken into account when adopting the general fund budget for 2017-2018. Estimated revenue in the general fund budget for the 2017-2018 school year is \$475.4 million, a decrease of 0.2% over the adopted 2016-2017 budget of \$476.5 million. State revenue will increase as the student population grows. The District will use these revenues to finance programs we currently offer and primarily fund teacher salaries. In November, 2017 the voters were asked to approve two propositions, a Tax Ratification Election whereby an additional \$0.13 may be added to the Maintenance and Operations tax rate, and a \$135 million bond election with no effect on the Interest and Sinking tax rate. Both propositions were approved and the additional revenue in the Maintenance and Operations fund is expected to increase by \$36.7 million. This increase is not reflected in the budget as adopted August 31, 2017. General fund expenditures are budgeted to increase 2.4% or \$11.6 million primarily due to additional staff needed for student growth. The District adopted a deficit budget for 2017-2018 in the amount of \$22.4 million. The Maintenance and Operations tax rate increased to \$1.20 up from \$1.07 and the Interest and Sinking rate to pay the debt remained at \$.28 for a total tax rate of \$1.48.

The Greater Houston area is the nation's fourth largest metro economy and has experienced four years of extraordinary growth, creating more than 480,000 jobs since the peak of the recession – three jobs for every one lost. According to the *Houston Business Journal*, Harris County will be the fastest growing county in Texas by 2050.

To ensure skilled workers and good jobs, both essential for continued economic growth, the district is partnering with local companies and other public agencies to design innovative ways for students to gain skills and earn credentials that companies will value and reward. These efforts will enable the creation of good jobs, support strong businesses, and assist in building healthy communities.

Long-term Financial Planning

The District maintains a five-year technology plan and also has a long-range facilities plan. Resources for the accomplishment of these goals will be identified in the District's annual budget. Other major factors in the development of a long-range financial plan include payroll costs, the cost of inflationary items such as insurance, utilities, and fuel. Financial factors are analyzed and updated annually during the process of budget development.

Capital Projects Funding

The district realizes that newer campuses provide greater efficiencies and therefore strives to replace campuses older than 50 years. The average age of our 66 campuses currently is 22.6 years.

On November 8, 2011, the voters approved issuing school bonds totaling \$270.1 million. Proceeds from these bond sales were used to address the need for new schools to manage growth, improve existing school and facilities, and expand the Career and Technical Education Program. Debt service requirements for this bond issue did not require an increase in the Interest & Sinking tax rate.

On November 4, 2014, the voters approved issuing school bonds totaling \$175.55 million. Proceeds are being used to expand the new Career and Technical High School, expand the Early College Program to all high schools, add a ninth grade campus at Dobie High School, replace three aging campuses, add a new elementary and intermediate school as well as provide needed technology upgrades district-wide. Debt service requirements for this bond issue did not require an increase in the Interest & Sinking tax rate.

The Dr. Kirk Lewis Career and Technical High School opened its doors in the 2014-2015 school year. Two new middle schools, Fred Roberts Middle School and Marshall Kendrick Middle School opened in the 2015-2016 school year. In 2016-2017, Nelda Sullivan Middle School and Tom Hancock Elementary opened their doors to serve students. The expansion of the Dr. Kirk Lewis Career and Technical High School, as well as the Early College High Schools and the ninth grade campus at Dobie High School, are expected to be open during the 2017-2018 school year.

Additionally, as mentioned earlier, on November 7, 2017 voters approved a \$135 million bond election. Proceeds will be used to build a new Intermediate School in the New Riverstone Ranch area. Red Bluff Elementary school will be replaced using the existing site. The remaining funds will be used to upgrade the transportation and maintenance facilities as well as provide funding for districtwide technology, new school buses, facility upgrades, and fine arts instruments.

The District will continue seeking alternate sources of funding and employ the most cost-effective methodologies in order to continue providing a quality education for all students in the Pasadena Independent School District.

Awards and Acknowledgments

The 2016-2017 School Year was very successful for Pasadena ISD. Listed below are a few of the district's accomplishments:

- 60 campuses earned Met Standard rating
- 124 total distinctions earned
- 42 Pasadena ISD campuses earned at least one distinction
- According to the 2017 Education Equality Index (EEI) report, Pasadena was rated #9 of 213 for having the highest achievement of low-income students
- Pasadena Memorial High School was named as one of America's Best High Schools by U.S. News and World Report
- Melillo Middle School was named a Texas Schools to Watch Campus
- Beverly Hills Intermediate was redesignated as a Texas School to Watch Campus
- 10 Pasadena ISD campuses received a Gold Ribbon Ranking by Children at Risk
- Pasadena ISD was named the largest personalized learning district across the nation
- 2016 High School Scholarships - \$30,369,994
- Advanced Placement – 6,688 Tests – 340 Advanced Placement Scholars
- Dual Credit – 6,444 Hours Completed
- Graduation Rate – 90.9%
- Career and Technical Education Certifications – 1,654
- Early College High School Graduates – 49 Associate Degrees

Pasadena Independent School District embraces its fiscal responsibility and endeavors to be financially sound and publicly accountable.

The District received a "Superior Achievement" rating under the State's FIRST (Financial Integrity Rating System of Texas) program for fourteen (14) consecutive years, the highest rating given. The District received the Texas Comptroller of Public Accounts' Platinum Leadership Circle Award, the highest given, for the seventh (7th) consecutive year for its efforts to make its finances open and accessible to the public.

Additionally, the Association of School Business Officials International (ASBO) awarded the District its Meritorious Budget Award for excellence in budget presentation for the fourteenth (14th) consecutive year. The district also received ASBO's COE (Certificate of Excellence in financial reporting) for its third consecutive year ending August 31, 2016. Additionally, the district was awarded the Government and Finance Officers Association's (GFOA) Distinguished Budget Presentation Award and the Certificate of Achievement for Excellence in Financial Reporting for the school year ending August 31, 2015 and August 31, 2016.

We appreciate the support of the Board of Trustees, residents of the district, and the business community, all who work cooperatively to ensure the best education for our students. The preparation of this report could not have been accomplished without the dedicated services of the District's Accounting Department as well as the independent auditing firm of Weaver and Tidwell, LLP.

Respectfully submitted,

A handwritten signature in cursive script that reads "DeeAnn Powell". The ink is dark and the signature is fluid.

DeeAnn Powell, Ed.D.

CERTIFICATE OF THE BOARD

Pasadena Independent School District
Name of School District

Harris
County

101-917
Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ✓ approved _____ disapproved for the year ended August 31, 2017 at a meeting of the Board of Trustees of such school district on the 23rd day of January 2018.

Nelda R. Sullivan
Signature of Board Secretary

Vickie Morgan
Signature of Board President

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



**The Certificate of Excellence in Financial Reporting
is presented to**

Pasadena Independent School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended August 31, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a horizontal line.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

John D. Musso, CAE
Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Pasadena Independent School District
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2016

Christopher P. Morrell

Executive Director/CEO



FINANCIAL SECTION





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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees of
Pasadena Independent School District
1515 Cherrybrook
Pasadena, Texas 77502

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pasadena Independent School District (the District), as of and for the year ended August 31, 2017, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pasadena Independent School District, as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pasadena Independent School District's basic financial statements. The Introductory Section, Supplementary Information and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Introductory and Statistical Sections 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.

The Board of Trustees of
Pasadena Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2018 on our consideration of Pasadena Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pasadena Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pasadena Independent School District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

Weaver and Tidwell, L.L.P.

Conroe, Texas
January 19, 2018



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MANAGEMENT'S DISCUSSION & ANALYSIS





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Management's Discussion and Analysis

As management of the Pasadena Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$341,320,833 (*net position*). Of this amount, \$23,351,447 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net position decreased from current year activities by \$13,840,007.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$205,404,770, a decrease of \$93,718,391 in comparison with the prior year. The decrease in governmental fund balances was primarily due to the facilities acquisition and construction expenditures as authorized by the bond proceeds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$61,902,526, or 13% percent of total general fund expenditures.
- The District's total net bonded debt decreased by \$18,970,164 (2%) during the current fiscal year.

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 financial statements. This report also contains required supplementary information and supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with 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 of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing 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 related cash flows*. Thus, 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 taxes and earned but unused compensated absences).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Payments Related to Shared Service Arrangements, Payments Related to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges.

The government-wide financial statements can be found as noted in the table of contents of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental 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 near-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 a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains twenty-eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue fund.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Proprietary Fund. The District maintains one type of proprietary fund - internal service funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses an internal service fund to account for its self-funded health insurance and worker's compensation. Because this service predominantly benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found as noted in the table of contents of this report.

Fiduciary Fund. The fiduciary fund is used to account for resources held for the benefit of students. The fiduciary fund is *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

The basic fiduciary fund financial statement can be found as noted in the table of contents of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

Required Supplementary 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. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. The required supplementary information also provides information on the District's cost-sharing multiple-employer defined benefit pension plan of which the District is a participant. The required supplementary information can be found as noted in the table of contents of this report.

Supplementary Information. The supplementary information is presented immediately following the required supplementary information and can be found as noted in the table of contents of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year ended August 31, 2017 by \$341,320,833.

PASADENA INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 293,155,572	24	\$ 378,495,839	30	\$ (85,340,267)	(23)
Capital Assets, Net of						
Depreciation	952,000,635	76	881,966,872	70	70,033,763	8
Total Assets	1,245,156,207	100	1,260,462,711	100	(15,306,504)	
Total Deferred Outflows						
 of Resources	85,690,971	100	113,462,141	100	(27,771,170)	(24)
Long-term Liabilities						
Outstanding	922,564,177	94	938,804,524	95	(16,240,347)	(2)
Other Liabilities	58,787,041	6	52,946,539	5	5,840,502	11
Total Liabilities	981,351,218	100	991,751,063	100	(10,399,845)	
Total Deferred Inflows						
 of Resources	8,175,127	100	27,012,949	100	(18,837,822)	(70)
Net Position:						
Net Investment in Capital Assets	257,255,969	75	264,348,878	75	(7,092,909)	(3)
Restricted	60,713,417	18	53,609,363	15	7,104,054	13
Unrestricted	23,351,447	7	37,202,599	10	(13,851,152)	(37)
Total Net Position	\$ 341,320,833	100	\$ 355,160,840	100	\$ (13,840,007)	

The largest portion of the District's net position (\$257,255,969) reflects its net investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment, and construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of net position (\$60,713,417) is restricted for grants related to state and federal programs and debt service.

The remaining balance of *unrestricted net position* (\$23,351,447) may be used to meet the District's ongoing obligations to students and creditors.

PASADENA INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
REVENUES						
Program Revenues:						
Charges for Services	\$ 10,105,145	2	\$ 10,288,299	2	\$ (183,154)	-2
Operating Grants and Contributions	119,058,345	19	124,107,651	20	(5,049,306)	-4
General Revenues:						
Property Taxes, Levied for General Purpose	130,927,001	21	124,327,647	20	6,599,354	5
Property Taxes, Levied for Debt Service	34,202,242	6	32,709,809	5	1,492,433	5
Grants and Contributions Not Restricted to Specific Program:	310,199,845	51	319,831,829	52	(9,631,984)	-3
Investment Earnings	2,868,413	-	2,024,187	-	844,226	42
Miscellaneous	6,593,503	1	8,423,983	1	(1,830,480)	-22
Total Revenues	613,954,494	100	621,713,405	100	(7,758,911)	
EXPENSES						
Instruction	360,129,894	57	354,205,178	56	5,924,716	2
Instructional Resources and Media Services	7,646,925	1	7,659,442	1	(12,517)	0
Curriculum and Instructional Staff Development	10,143,208	2	9,649,278	2	493,930	5
Instructional Leadership	8,982,885	1	8,145,039	1	837,846	10
School Leadership	41,386,440	7	40,624,435	6	762,005	2
Guidance, Counseling, and Evaluation Services	27,047,028	4	25,791,822	4	1,255,206	5
Social Work Services	309,340	-	316,556	-	(7,216)	-2
Health Services	5,391,271	1	5,318,208	1	73,063	1
Student Transportation	16,051,727	3	16,713,137	3	(661,410)	-4
Food Services	33,725,141	5	34,678,478	6	(953,337)	-3
Extracurricular Activities	11,537,877	2	11,800,578	2	(262,701)	-2
General Administration	11,983,289	2	12,625,764	2	(642,475)	-5
Plant Maintenance and Operations	50,071,209	8	53,594,631	9	(3,523,422)	-7
Security and Monitoring Services	5,144,453	1	5,322,890	1	(178,437)	-3
Data Processing Services	7,211,050	1	9,110,464	1	(1,899,414)	-21
Community Services	449,139	-	330,926	-	118,213	36
Interest on Long-term Debt	28,362,105	5	28,880,942	5	(518,837)	-2
Issuance Costs and Fees	18,065	-	19,884	-	(1,819)	-9
Facilities Repair and Maintenance	56,102	-	58,547	-	(2,445)	-4
Payments Related to Shared Service Arrangements	839,131	-	-	-	839,131	100
Payments to Juvenile Justice Alternative Education Programs	105,950	-	93,782	-	12,168	13
Other Intergovernmental Charges	1,202,272	-	1,162,022	-	40,250	3
Total Expenses	627,794,501	100	626,102,003	100	1,692,498	
Change in Net Position	(13,840,007)		(4,388,598)		(9,451,409)	
Net Position - Beginning	355,160,840		359,549,438		(4,388,598)	
Net Position - Ending	\$ 341,320,833		\$ 355,160,840		\$ (13,840,007)	

Governmental Activities. The District's net position decreased by \$18,975,441 from current operations. Key components of revenues and expenses are as follows:

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues) totaling \$429,258,190 represent 70 percent of total revenues and property taxes totaling \$165,129,243 represent 27 percent of total revenues. The remaining 3 percent is generated from charges for services, investment earnings and miscellaneous revenues.

The primary functional expense of the District is instruction (\$360,129,894), which represents 57 percent of total expenses. The remaining individual functional categories of expenses are each less than ten percent of total expenses.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-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 a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$205,404,770, a decrease of \$93,718,391 in comparison with the prior year. The decrease in ending governmental fund balances is primarily due to the facilities acquisition and construction expenditures as authorized by the bond proceeds.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$61,902,526, while total fund balance reached \$95,783,527. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13% of total general fund expenditures, while total fund balance represents 20% of that same amount. The fund balance of the District's general fund decreased by \$7,009,093 during the current fiscal year. The decrease is primarily due to the increase in property tax collections from growth in property tax values did not exceed the decrease in state funding and increase in instruction expenditures related to student growth.

The debt service fund has a total fund balance of \$51,602,157, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current year of \$6,401,511 was attributable to an increased in property tax values along with a decrease in debt service expenditures per scheduled debt payments.

The capital projects fund has a total fund balance of \$45,881,164, all of which is restricted for building and equipping school facilities and technology projects/enhancements. The net decrease in fund balance during the current year of \$94,720,624 was primarily due to the District's continuing projects authorized by the bond issue. Capital projects fund expenditures totaled \$95.8 million, while earning \$1.1 million in revenues from investments.

Proprietary Fund. The District's proprietary fund financial statements, internal service funds for health insurance and workers' compensation, provide detail information about the profitability of the funds. The decrease in net position is primarily due to the increase in expenses for the self-funded health and workers' compensation fund during the year. The change in net position of the funds is eliminated and allocated to the governmental expenses in the government-wide financial statements.

General Fund Budgetary Highlights

PASADENA INDEPENDENT SCHOOL DISTRICT'S GENERAL FUND BUDGETARY HIGHLIGHTS

	Budget		Actual
	Original	Final Amended	
Total Revenues	\$ 476,536,401	\$ 479,005,485	\$ 470,069,763
Total Expenditures	(486,238,886)	(498,119,340)	(477,388,356)
Other Sources - Sale of Real and Personal Property	-	1,030,030	1,001,055
Other Uses - Tax Refunds Per Court Order	-	(750,000)	(691,555)
Net change in fund balance	\$ (9,702,485)	\$ (18,833,825)	\$ (7,009,093)

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

- Budgeted revenues increased \$2.5 million primarily for additional property tax revenue resulting from growth in property values and the reduction of state funding resulting from the property value growth.
- Budgeted expenditures increased \$11.8 million primarily for student transportation related to student growth, data processing services, and construction.

Differences between the final budgeted and actual revenue were primarily due to timing differences in receipt of SHARS funds. Differences between final budgeted and actual expenditures were primarily due to favorable variances in student transportation, extracurricular activities, plant maintenance and operations, and data processing services expenditures.

Capital Assets and Long-Term Liabilities

Capital Assets. The District's investment in capital assets for its governmental type activities as of August 31, 2017 amounts to \$952,000,635 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The total increase in the District's investment in capital assets for the current fiscal year was \$70,033,763.

PASADENA INDEPENDENT SCHOOL DISTRICT'S CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and Improvements	\$ 70,903,065	7	\$ 71,067,634	8	\$ (164,569)	-
Buildings and Improvements	745,720,235	79	746,110,846	85	(390,611)	-
Furniture and Equipment	48,866,640	5	51,786,971	6	(2,920,331)	(6)
Construction in Progress	86,510,695	9	13,001,421	1	73,509,274	565
Totals	\$ 952,000,635	100	\$ 881,966,872	100	\$ 70,033,763	

Major capital asset events during the current fiscal year included the following:

- \$86,510,695 in additions for construction of school facilities
- \$7,190,882 in additions to buildings and improvements
- \$7,073,697 in additions to equipment and furnishing new campuses

Construction Commitments. The District has active construction projects as of August 31, 2017. The projects include the construction and equipment of school facilities. At year-end, the District's remaining commitments with contractors totals \$27.1 million for all ongoing projects.

Additional information on the District's capital assets can be found in Note 5 in the notes to the financial statements.

Long-Term Liabilities. Changes to long-term liabilities, for the year ended August 31, 2017, are as follows:

PASADENA INDEPENDENT SCHOOL DISTRICT'S LONG-TERM LIABILITIES OUTSTANDING

	Governmental Activities					
	2017		2016		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General Obligation Bonds, net	\$ 754,910,583	82	\$ 773,880,747	90	\$ (18,970,164)	(2)
Health Insurance Claims	4,776,317	1	3,299,023	-	1,477,294	45
Workers' Compensation Claims	2,439,463	-	2,339,313	-	100,150	4
Compensated Absences	433,459	-	485,761	-	(52,302)	(11)
Net Pension Liability	141,759,250	15	134,428,514	8	7,330,736	5
Derivative Instruments - Rate Swaps	18,245,105	2	24,371,166	2	(6,126,061)	(25)
Totals	\$ 922,564,177	100	\$ 938,804,524	100	\$ (16,240,347)	

Additional information on the District's long-term liabilities can be found in Note 7 in the notes to the financial statements.

The increase in the District's net pension liability (NPL) to \$141,759,250 at August 31, 2017 from \$134,428,514 at August 31, 2016 were primarily the result of a decrease in the difference between projected and actual investment earnings and changes in proportion and differences between District contributions and proportionate share of contributions in the TRS plan during 2016 plan year.

Additional information on the District's net pension liability can be found in Note 14 in the notes to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Tax Rates

The following economic factors were considered in developing the 2017-2018 fiscal year budget:

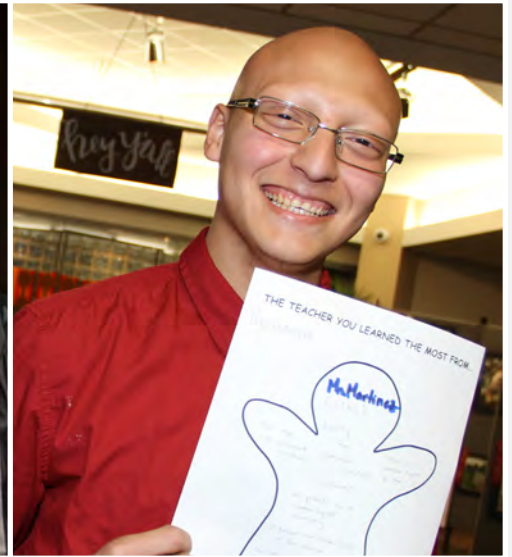
- Appraised value used for the 2017-2018 budget preparation is expected to be \$15.3 billion and taxable value expected to be \$13.1 billion.
- General operating fund anticipated spending per student increased in the 2017-2018 budget from \$8,553 to \$8,765 to facilitate the opening of new schools.
- The District's 2017-2018 refined average daily attendance is expected to be 52,250. This is an increase of 519 or 1.0% over the actual amount of 51,731 for 2016-2017.

These indicators were taken into account when adopting the general fund budget for 2017-2018. Estimated revenue in the general fund budget for the 2017-2018 school year is \$475.4 million, a decrease of 0.2% over the adopted 2016-2017 budget of \$476.5 million. State revenue will increase as the student population grows. The District will use these revenues to finance programs we currently offer and primarily fund teacher salaries. In November, 2017 the voters were asked to approve two propositions, a Tax Ratification Election whereby an additional \$0.13 may be added to the Maintenance and Operations tax rate, and a \$135 million bond election with no effect on the Interest and Sinking tax rate. Both propositions were approved and the additional revenue in the Maintenance and Operations fund is expected to increase by \$36.7 million. This increase is not reflected in the budget as adopted August 31, 2017.

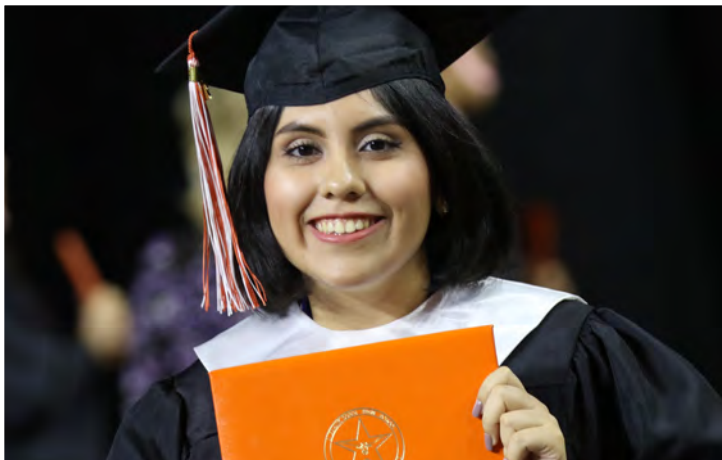
General fund expenditures are budgeted to increase 2.4% or \$11.6 million primarily due to additional staff needed for student growth. The 2017-2018 budget includes opening a 9th grade campus to alleviate enrollment pressure at J. Frank Dobie High School. Additionally, Early College High School wings will be added to three high schools, Rayburn, South Houston and Memorial. The District adopted a deficit budget prior to the passing of the TRE for 2017-2018 in the amount of \$22.4 million. The Maintenance and Operations tax rate increased to \$1.20 up from \$1.07 and the Interest and Sinking rate to pay the debt remained at \$.28 for a total tax rate of \$1.48.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Business Office, Pasadena Independent School District, 1515 Cherrybrook Lane, Pasadena, Texas 77502.



BASIC FINANCIAL STATEMENTS



PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

AUGUST 31, 2017

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	<i>Cash and cash equivalents</i>	\$ 20,190,389
1120	<i>Current investments</i>	143,774,039
	Receivables:	
1220	<i>Property taxes - delinquent</i>	22,735,333
1230	<i>Allowance for uncollectible taxes</i>	(8,097,362)
1240	<i>Due from other governments</i>	22,456,974
1250	<i>Accrued interest</i>	331,799
1290	<i>Other receivables</i>	225,520
1300	<i>Inventories, at cost</i>	1,851,689
1410	<i>Prepaid items</i>	5,812,757
	Capital Assets Not Being Depreciated:	
1510	<i>Land and improvements</i>	70,903,065
1580	<i>Construction in progress</i>	86,510,695
	Capital Assets, Net of Accumulated Depreciation:	
1520	<i>Buildings and improvements, net</i>	745,720,235
1530	<i>Furniture and equipment, net</i>	48,866,640
1910	<i>Long-term investments</i>	83,874,434
1000	Total Assets	<u>1,245,156,207</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1700	<i>Derivative instruments - rate swaps</i>	18,245,105
1705	<i>Deferred outflows - pension</i>	53,161,113
1710	<i>Deferred charge on refunding</i>	14,284,753
1700	Total Deferred Outflows of Resources	<u>85,690,971</u>
	LIABILITIES	
2110	<i>Accounts payable</i>	22,856,829
2140	<i>Interest payable</i>	1,479,392
2150	<i>Payroll deductions and withholdings</i>	104,858
2160	<i>Accrued wages payable</i>	32,679,333
2180	<i>Due to other governments</i>	638,293
2200	<i>Accrued liabilities</i>	88,609
2300	<i>Unearned revenue</i>	939,727
	Noncurrent Liabilities:	
2501	<i>Due within one year</i>	23,089,395
2502	<i>Due in more than one year</i>	739,470,427
2540	<i>Net pension liabilities</i>	141,759,250
2590	<i>Derivative instruments - rate swaps</i>	18,245,105
2000	Total Liabilities	<u>981,351,218</u>
	DEFERRED INFLOWS OF RESOURCES	
2605	<i>Deferred inflows - pension</i>	8,175,127
2600	Total Deferred Inflows of Resources	<u>8,175,127</u>
	NET POSITION	
3200	<i>Net investment in capital assets</i>	257,255,969
3820	<i>Restricted for grants</i>	8,290,644
3850	<i>Restricted for debt service</i>	52,422,773
3900	<i>Unrestricted</i>	23,351,447
3000	Total Net Position	<u>\$ 341,320,833</u>

The accompanying notes to the financial statements are an integral part of this statement.

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
	Primary Government:				
	Governmental Activities:				
0011	Instruction	\$ 360,129,894	\$ 1,661,717	\$ 47,303,626	\$ (311,164,551)
0012	Instructional resources and media services	7,646,925	41,200	391,834	(7,213,891)
0013	Curriculum and instructional staff development	10,143,208	1,437	1,995,728	(8,146,043)
0021	Instructional leadership	8,982,885	-	2,556,030	(6,426,855)
0023	School leadership	41,386,440	112,263	3,423,334	(37,850,843)
0031	Guidance, counseling, and evaluation services	27,047,028	62,103	6,206,922	(20,778,003)
0032	Social work services	309,340	-	12,502	(296,838)
0033	Health services	5,391,271	1,023	705,847	(4,684,401)
0034	Student transportation	16,051,727	-	466,900	(15,584,827)
0035	Food services	33,725,141	4,455,876	31,827,820	2,558,555
0036	Extracurricular activities	11,537,877	3,508,113	881,010	(7,148,754)
0041	General administration	11,983,289	-	1,151,021	(10,832,268)
0051	Plant maintenance and operations	50,071,209	160,713	2,620,627	(47,289,869)
0052	Security and monitoring services	5,144,453	15,935	182,074	(4,946,444)
0053	Data processing services	7,211,050	-	168,698	(7,042,352)
0061	Community services	449,139	15,022	166,738	(267,379)
0072	Interest on long-term debt	28,362,105	-	18,151,418	(10,210,687)
0073	Issuance costs and fees	18,065	-	-	(18,065)
0081	Facilities repair and maintenance	56,102	69,743	7,085	20,726
0093	Payments related to shared services arrangements	839,131	-	839,131	-
0095	Payments to juvenile justice alternative education programs	105,950	-	-	(105,950)
0099	Other intergovernmental charges	1,202,272	-	-	(1,202,272)
TG	Total Governmental Activities	<u>627,794,501</u>	<u>10,105,145</u>	<u>119,058,345</u>	<u>(498,631,011)</u>
TP	Total Primary Government	<u>\$ 627,794,501</u>	<u>\$ 10,105,145</u>	<u>\$ 119,058,345</u>	<u>(498,631,011)</u>
	General Revenues:				
MT	Property taxes, levied for general purposes				130,927,001
DT	Property taxes, levied for debt service				34,202,242
GC	Grants and contributions not restricted to specific programs				310,199,845
IE	Investment earnings				2,868,413
MI	Miscellaneous				6,593,503
TR	Total General Revenues				<u>484,791,004</u>
CN	Change in Net Position				(13,840,007)
NB	Net Position - Beginning				355,160,840
NE	Net Position - Ending				<u>\$ 341,320,833</u>

The accompanying notes to the financial statements are an integral part of this statement.

PASADENA INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

AUGUST 31, 2017

Data Control Codes		General Fund	Debt Service Fund
ASSETS			
1110	Cash and cash equivalents	\$ 14,900,962	\$ 4,628,314
1120	Current investments	55,489,010	19,452,425
	Receivables:		
1220	Property taxes - delinquent	19,168,971	3,566,362
1230	Allowance for uncollectible taxes	(6,831,008)	(1,266,354)
1240	Due from other governments	15,136,859	-
1250	Accrued interest	163,127	76,817
1260	Due from other funds	8,402,367	-
1290	Other receivables	111,722	-
1300	Inventories, at cost	1,011,271	-
1410	Prepaid items	5,606,699	-
1910	Long-term investments	55,430,449	28,443,985
1000	Total Assets	\$ 168,590,429	\$ 54,901,549
1000a	Total Assets and Deferred Outflows of Resources	\$ 168,590,429	\$ 54,901,549
LIABILITIES			
2110	Accounts payable	\$ 16,087,345	\$ 36,251
2150	Payroll deductions and withholdings payable	104,858	-
2160	Accrued wages payable	29,856,180	-
2170	Due to other funds	7,998,052	351,410
2180	Due to other governments	26,570	611,723
2200	Accrued liabilities	88,609	-
2300	Unearned revenue	94,929	-
2000	Total Liabilities	54,256,543	999,384
DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable revenue - property taxes	12,337,963	2,300,008
2605	Unavailable revenue - SHARS grant	6,212,396	-
	Total Deferred Inflows of Resources	18,550,359	2,300,008
FUND BALANCES			
	Nonspendable:		
3410	Inventories	1,011,271	-
3430	Prepaid items	5,606,699	-
	Restricted:		
3450	Grants	-	-
3470	Capital acquisitions and contractual obligations	-	-
3480	Debt service	-	51,602,157
	Committed:		
3510	Construction	19,100,000	-
3545	Instructional Start-Up Supplies	175,000	-
3450	Other	-	-
	Assigned:		
3550	Future Construction	2,000,000	-
3590	Other	5,988,031	-
3600	Unassigned	61,902,526	-
3000	Total Fund Balances	95,783,527	51,602,157
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 168,590,429	\$ 54,901,549

The accompanying notes to the financial statements are an integral part of this statement.

Exhibit C-1

<u>Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 412,419	\$ 19,941,695
56,113,733	5,355,226	136,410,394
-	-	22,735,333
-	-	(8,097,362)
-	7,320,115	22,456,974
91,855	-	331,799
-	6,237,125	14,639,492
-	113,798	225,520
-	840,418	1,851,689
-	117,268	5,723,967
-	-	83,874,434
<u>\$ 56,205,588</u>	<u>\$ 20,396,369</u>	<u>\$ 300,093,935</u>
<u>\$ 56,205,588</u>	<u>\$ 20,396,369</u>	<u>\$ 300,093,935</u>
\$ 6,729,813	\$ 3,420	\$ 22,856,829
-	-	104,858
5,817	2,817,336	32,679,333
3,588,794	4,592,893	16,531,149
-	-	638,293
-	-	88,609
-	844,798	939,727
<u>10,324,424</u>	<u>8,258,447</u>	<u>73,838,798</u>
-	-	14,637,971
-	-	6,212,396
<u>-</u>	<u>-</u>	<u>20,850,367</u>
-	-	1,011,271
-	-	5,606,699
-	8,290,644	8,290,644
45,881,164	-	45,881,164
-	-	51,602,157
-	-	19,100,000
-	-	175,000
-	3,847,278	3,847,278
-	-	2,000,000
-	-	5,988,031
-	-	61,902,526
<u>45,881,164</u>	<u>12,137,922</u>	<u>205,404,770</u>
<u>\$ 56,205,588</u>	<u>\$ 20,396,369</u>	<u>\$ 300,093,935</u>



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PASADENA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2017

Exhibit C-2

Total Fund Balances - Governmental Funds (Exhibit C-1) **\$ 205,404,770**

Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental Capital Assets Costs	\$ 1,371,375,292	
Accumulated Depreciation of Governmental Capital Assets	<u>(419,374,657)</u>	952,000,635

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		14,637,971
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School health and related services (SHARS) reimbursements have been submitted and are due this year, but are not available soon enough to pay for the current period's expenditures		6,212,396
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Long-term liabilities, including bonds payable, compensated absences, and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items, consist of:

Bonds Payable, at Original Par	\$ (689,705,000)	
Premium on Bonds Payable	(65,205,583)	
Deferred Charge on Refunding	14,284,753	
Accrued Interest on the Bonds	(1,479,392)	
Compensated Absences	(433,459)	
Net Pension Liability	<u>(141,759,250)</u>	(884,297,931)

An internal service fund is used by the District to charge the costs of various services to the individual funds. The assets and liabilities of the following internal service funds are included with governmental activities:

Employee Health Insurance	\$ 93,668	
Workers' Compensation	<u>2,283,338</u>	2,377,006

Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.		53,161,113
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Deferred inflows for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		<u>(8,175,127)</u>
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Total Net Position - Governmental Activities (Exhibit A-1) **\$ 341,320,833**

The accompanying notes to the financial statements are an integral part of this statement.

PASADENA INDEPENDENT SCHOOL DISTRICT

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

Data Control Codes		General Fund	Debt Service Fund
REVENUES			
5700	<i>Local and intermediate revenues</i>	\$ 141,054,987	\$ 35,538,373
5800	<i>State program revenues</i>	322,732,999	17,045,525
5900	<i>Federal program revenues</i>	6,281,777	-
5020	Total Revenues	<u>470,069,763</u>	<u>52,583,898</u>
EXPENDITURES			
Current:			
0011	<i>Instruction</i>	300,855,952	-
0012	<i>Instructional resources and media services</i>	6,963,247	-
0013	<i>Curriculum and instructional staff development</i>	7,750,189	-
0021	<i>Instructional leadership</i>	6,090,705	-
0023	<i>School leadership</i>	36,583,890	-
0031	<i>Guidance, counseling, and evaluation services</i>	19,721,453	-
0032	<i>Social work services</i>	287,453	-
0033	<i>Health services</i>	4,830,609	-
0034	<i>Student transportation</i>	15,012,970	-
0035	<i>Food services</i>	-	-
0036	<i>Extracurricular activities</i>	7,370,399	-
0041	<i>General administration</i>	11,097,492	-
0051	<i>Plant maintenance and operations</i>	45,286,012	-
0052	<i>Security and monitoring services</i>	5,061,243	-
0053	<i>Data processing services</i>	6,916,037	-
0061	<i>Community services</i>	255,412	-
Debt Service:			
0071	<i>Principal on long-term debt</i>	-	15,235,000
0072	<i>Interest on long-term debt</i>	-	30,748,363
0073	<i>Issuance costs and fees</i>	-	18,065
Capital Outlay:			
0081	<i>Facilities acquisition and construction</i>	1,997,071	-
Intergovernmental:			
0093	<i>Payments to shared services arrangements</i>	-	-
0095	<i>Payments to juvenile justice alternative education programs</i>	105,950	-
0099	<i>Other intergovernmental charges</i>	1,202,272	-
6030	Total Expenditures	<u>477,388,356</u>	<u>46,001,428</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,318,593)</u>	<u>6,582,470</u>
OTHER FINANCING SOURCES (USES)			
7912	<i>Sale of real and personal property</i>	1,001,055	-
7915	<i>Transfers in</i>	-	-
8911	<i>Transfers out</i>	-	-
8949	<i>Tax refunds per court order</i>	(691,555)	(180,959)
7080	Total Other Financing Sources (Uses)	<u>309,500</u>	<u>(180,959)</u>
1200	Net Change in Fund Balances	<u>(7,009,093)</u>	<u>6,401,511</u>
0100	Fund Balances - Beginning	<u>102,792,620</u>	<u>45,200,646</u>
3000	Fund Balances - Ending	<u>\$ 95,783,527</u>	<u>\$ 51,602,157</u>

The accompanying notes to the financial statements are an integral part of this statement.

Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 1,074,665	\$ 10,693,414	\$ 188,361,439
-	7,634,591	347,413,115
-	64,604,621	70,886,398
<u>1,074,665</u>	<u>82,932,626</u>	<u>606,660,952</u>
-	30,770,403	331,626,355
-	136,201	7,099,448
-	1,552,288	9,302,477
-	2,059,433	8,150,138
-	1,616,016	38,199,906
-	4,743,228	24,464,681
-	-	287,453
-	135,814	4,966,423
-	36,082	15,049,052
-	33,829,620	33,829,620
-	3,638,568	11,008,967
-	2,424	11,099,916
-	1,676,688	46,962,700
-	22,521	5,083,764
-	-	6,916,037
-	178,891	434,303
-	-	15,235,000
-	-	30,748,363
-	-	18,065
95,795,289	85,503	97,877,863
-	839,131	839,131
-	-	105,950
-	-	1,202,272
<u>95,795,289</u>	<u>81,322,811</u>	<u>700,507,884</u>
<u>(94,720,624)</u>	<u>1,609,815</u>	<u>(93,846,932)</u>
-	-	1,001,055
-	45,035	45,035
-	(45,035)	(45,035)
-	-	(872,514)
<u>-</u>	<u>-</u>	<u>128,541</u>
(94,720,624)	1,609,815	(93,718,391)
140,601,788	10,528,107	299,123,161
<u>\$ 45,881,164</u>	<u>\$ 12,137,922</u>	<u>\$ 205,404,770</u>

PASADENA INDEPENDENT SCHOOL DISTRICT**Exhibit C-4****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-3) **\$ (93,718,391)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.

Capital Assets <i>increased</i>	\$ 100,880,274	
Depreciation Expense	<u>(30,576,469)</u>	70,303,805

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position. (270,042)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. (2,840,037)

School health and related services in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 6,212,396

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 15,235,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The increase (decrease) in interest reported in the statement of activities consist of the following:

Accrued Interest on Current Interest Bonds Payable <i>decreased</i>	\$ 27,306	
Amortization of Bond Premium	3,735,164	
Amortization of Deferred Charge on Refunding Bonds	<u>(1,376,212)</u>	2,386,258

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 52,302

An internal service fund is used by the District to charge the costs of various services to the individual funds. The net activity of the following internal service funds are reported in the government-wide statements:

Employee Health Insurance	\$ (1,521,042)	
Workers' Compensation	<u>(918,445)</u>	(2,439,487)

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred Outflows Increased (Decreased)	\$ (20,268,897)	
Deferred Inflows (Increased) Decreased	18,837,822	
Net Pension Liability (Increased) Decreased	<u>(7,330,736)</u>	<u>(8,761,811)</u>

Change in Net Position for Governmental Activities (Exhibit B-1) **\$ (13,840,007)**

The accompanying notes to the financial statements are an integral part of this statement.

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

AUGUST 31, 2017

		Governmental Activities
Data Control Codes		Internal Service Funds
ASSETS		
	Current Assets:	
1110	Cash and cash equivalents	\$ 248,694
1120	Current investments	7,363,645
1260	Due from other funds	1,974,086
1410	Prepaid items	88,790
	Total Current Assets	9,675,215
1000	Total Assets	9,675,215
LIABILITIES		
	Current Liabilities:	
2170	Due to other funds	82,429
	Total Current Liabilities	82,429
	Noncurrent Liabilities:	
2123	Claims payable - due within one year	5,428,275
2590	Claims payable - due in more than one year	1,787,505
	Total Noncurrent Liabilities	7,215,780
2000	Total Liabilities	7,298,209
NET POSITION		
3900	Unrestricted	2,377,006
3000	Total Net Position	\$ 2,377,006

The accompanying notes to the financial statements are an integral part of this statement.

PASADENA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Exhibit D-2

Data Control Codes		Governmental Activities Internal Service Funds
	OPERATING REVENUES	
5745	<i>Miscellaneous revenue from local sources</i>	\$ 2,763,530
5754	<i>Interfund services provided</i>	45,681,798
5020	Total Operating Revenues	<u>48,445,328</u>
	OPERATING EXPENSES	
6100	<i>Payroll costs</i>	7,721
6200	<i>Professional and contracted services</i>	1,187,561
6300	<i>Supplies and materials</i>	123
6400	<i>Claims expense, net of provision adjustment</i>	49,741,758
6030	Total Operating Expenses	<u>50,937,163</u>
	Operating Loss	<u>(2,491,835)</u>
	NONOPERATING REVENUES	
7955	<i>Investment earnings</i>	52,348
8030	Total Nonoperating Revenues	<u>52,348</u>
1300	Change in Net Position	(2,439,487)
0100	Net Position - Beginning	4,816,493
3300	Net Position - Ending	\$ <u><u>2,377,006</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit D-3

*STATEMENT OF CASH FLOWS**PROPRIETARY FUNDS**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017*

Governmental
Activities
Internal
Service
Funds

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 3,001,422
Cash received from internal services provided	45,033,079
Cash payments for claims	(43,623,394)
Cash payments for administrative services	(5,735,116)
Net Cash Used for Operating Activities	<u>(1,324,009)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on investments	52,348
Purchase of investments	(11,481,669)
Sale of investments	12,649,784
Net Cash Provided by Investing Activities	<u>1,220,463</u>

Net Decrease in Cash and Cash Equivalents	(103,546)
Cash and Cash Equivalents at Beginning of Year	352,240
Cash and Cash Equivalents at End of Year	\$ <u>248,694</u>

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED FOR OPERATING ACTIVITIES:**

Operating Loss	\$ (2,491,835)
Change in Assets and Liabilities:	
Increase in due from other funds	(493,256)
Decrease in prepaid items	1,209
Increase in due to other funds	82,429
Increase in claims payable	1,577,444
Net Cash Used for Operating Activities	\$ <u>(1,324,009)</u>

The accompanying notes to the financial statements are an integral part of this statement.

PASADENA INDEPENDENT SCHOOL DISTRICT**Exhibit E-1***STATEMENT OF ASSETS AND LIABILITIES**FIDUCIARY FUND**AUGUST 31, 2017*

Data Control Codes		<u>Agency Fund</u>
	ASSETS	
1290	<i>Other receivables</i>	738,962
1000	Total Assets	\$ <u>738,962</u>
	LIABILITIES	
2190	<i>Due to student groups</i>	\$ 738,962
2000	Total Liabilities	\$ <u>738,962</u>

The accompanying notes to the financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

The Pasadena Independent School District (the “District”) is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven member Board of Trustees elected by the District’s residents.

The District prepares its financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

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

Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District’s financial reporting entity. Based on these considerations, the District’s financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District’s financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include: considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Direct expenses are not eliminated from the various functional categories. Interfund services that are provided and used are not eliminated in the process of consolidation. *Governmental activities*, which are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit F-1

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fiduciary fund financial statements reflect the District's agency fund, reporting only assets and liabilities, and do not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for construction and equipment of school facilities and technology projects/enhancements.

The District reports the following nonmajor governmental funds:

- The *special revenue funds* are used to account for resources restricted to, or designated for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the National School Breakfast and Lunch Program, Summer Feeding Program, and campus activity funds, funds are rolled over from year to year for use in the program.

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit F-1

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

Additionally, the District reports the following fund types:

- The *internal service funds* account for employee health insurance and worker's compensation plans provided to other departments on a cost reimbursement basis.
- The *agency fund* is used to account for assets held by the District as an agent for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include (1) charges to students or users for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and investment income.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds and/or employees for self-funded health services and workers' compensation. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits with bank depository.

Investments for the District, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated.

Property tax receivables include unpaid property taxes at year-end along with penalties and interest assessed on these unpaid taxes and are shown net of an allowance for uncollectibles. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Harris County Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax

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receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

Inventories and Prepaid Items

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories are recorded as expenditures/expenses when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, furniture and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements:	
Buildings	50
Buildings Improvements	50
Furniture and Equipment:	
Vehicles	10
Office Equipment	10
Computer Equipment	10

Land and improvements and construction in progress are not depreciated.

Compensated Absences*Vacation*

An employee in a position normally requiring 12 months of service who commenced employment with the District prior to August 1, 1998, who resigns, retires, or is dismissed from the District is entitled to cash payment in lieu of vacation for vacation earned during the school year in which such separation from employment occurs. At the time of dismissal, resignation, or retirement, employees may also receive cash payment for unused vacation accrued prior to August 1, 1995, up to a maximum of 20 days. Such cash payment shall be made at the employee's 1994-95 daily rate.

No person hired on or after August 1, 1998, into a position normally requiring 12 months of service, and any employee promoted, transferred, or reassigned into such a position from a position requiring less than 12 months of service, shall be eligible for paid vacation. Such persons shall be employed on a 240-day calendar, ten days of which may be used as non-duty days. Non-duty days cannot be carried over to any succeeding year, nor can they be cashed out at any time.

Sick Leave

An employee retiring under provisions of the Teacher Retirement System (TRS) and who has been continuously employed by the District in a position eligible for sick leave prior to August 1, 1980, shall be eligible for sick leave prior to August 1, 1980, is eligible for separation pay upon retirement. If an employee has accumulated the maximum number of hours, separation payment shall be one-fourth of the employee's annual salary or wage at the time of retirement.

If the employee has accumulated less than the maximum number of hours, separation payment will be computed by calculating the ratio of accumulated hours divided by the maximum number of hours multiplied by one-fourth of the employee's annual salary or wage.

Long-Term Obligations

The District's long-term obligations consist of bond indebtedness, health insurance, workers' compensation, compensated absences, net pension liability and derivative instruments-rate swaps. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

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

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Health insurance and workers' compensation expenditure requirements are accounted for in the internal service fund. The current and past requirements for other long-term liabilities are generally liquidated with resources of the general fund.

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Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements are as follows:

	Statement of Net Position	Balance Sheet - Governmental Funds	
	Governmental Activities	General Fund	Debt Service Fund
Deferred Outflows of Resources:			
Derivative instruments - rate swaps	\$ 18,245,105	\$ -	\$ -
Deferred outflows from pension activities	40,383,464	-	-
Deferred outflows from pension contributions after the measurement date	12,777,649	-	-
Deferred charge on refunding	14,284,753	-	-
Total Deferred Outflows of Resources	\$ 85,690,971	\$ -	\$ -
Deferred Inflows of Resources:			
Deferred inflows from pension activities	\$ 8,175,127	\$ -	\$ -
Unavailable property taxes	-	12,337,963	2,300,008
Unavailable grant funds - SHARS	-	6,212,396	-
Total Deferred Inflows of Resources	\$ 8,175,127	\$ 18,550,359	\$ 2,300,008

Deferred outflows/inflows of resources are amortized as follows:

- The deferred outflow for the derivative instruments-rate swaps will be recognized upon the maturity of the related Series 2005B bonds
- Deferred outflows/inflows from pension activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions after the measurement date are recognized in the subsequent year.
- Deferred charge on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.
- Grant funds are recognized in the period the amount becomes available.

Net Position Flow Assumptions

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

In the fund financial statements, governmental funds report fund balances based on classification that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which the amounts is the respective governmental funds can be spent. The District reports the following classifications of fund balance:

- Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventories and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).
- Restricted fund balance – amounts that have external constraints imposed upon the use of the resources by bondholders, grantors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The amounts reported in this category include funding from external sources such as state and federal grants, tax levies for the repayment of principal and interest on a long-term debt, and unspent bond proceeds for the construction and equipment of school facilities.
- Committed fund balance – amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board. These amounts can only be used for the purpose intended, which requires formal Board action to establish (as noted in Board minutes), unless the Board modifies or removes the specified use by taking the same formal Board action. The amounts reported in this category include the campus activity fund balances in the special revenue fund and various board commitments noted in the Exhibit C-1 or the notes to the financial statements.
- Assigned fund balance – amounts that the District intends to use for a specific purpose. The Board delegates to the Superintendent or designee the responsibility to assign funds. The amounts reported in this category include assignments for purchases on order at the end of the fiscal year.
- Unassigned fund balance – accounts for the residual amount in the general fund. The general fund is the only fund that may report a positive unassigned fund balance amount. In certain situations, other governmental fund may report a negative unassigned fund balance.

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment. Per Policy CE local, assigned fund balance amounts are established by the Board or an official that has been delegated the authority to assign amounts. Also, the District shall strive to maintain an unassigned fund balance in the general fund equal to a minimum of 12.5 percent of the District's general fund operating expenditures of the immediately preceding year.

Pension

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 14. and the required supplementary section immediately following the Notes to the Financial Statements), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The District recognizes a net pension liability for the qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the District's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the respective pensions' fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Use of Estimates

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

Note 2- Stewardship, Compliance, and Accountability**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, National School Breakfast and Lunch Program special revenue fund, and debt service fund. All other governmental funds adopt project length budgets. All annual appropriations lapse at fiscal year-end. The following procedures are followed in establishing the budgetary data reflected in the financial schedules.

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

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The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/department require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. The District made several supplemental budgetary versions throughout the year, primarily in the general fund. These versions are further detailed in the notes to the required supplementary information.

Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned, as appropriate.

At August 31, 2017, certain amounts which were previously restricted or assigned for specific purposes have been encumbered in the governmental funds. These amounts are as follows:

<u>Fund</u>	<u>Restricted</u> <u>Fund Balance</u>	<u>Assigned</u> <u>Fund Balance</u>
General Fund	\$ -	\$ 5,988,031
Capital Projects Fund	28,853,476	-
Total Encumbrances	\$ 28,853,476	\$ 5,988,031

Note 3 - Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be 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.

All demand and time deposits in the depository bank were entirely covered by federal depository insurance and by acceptable collateral securities pledged in the District's name and held in safekeeping by a third party at year end in accordance with provisions of the depository contract.

Investments

The District's investment policy is in accordance with the Public Funds Investment Act (PFIA), the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Government Agencies and municipal securities, certificates of deposit, fully collateralized repurchase agreements, banker's acceptances, commercial paper, no-load money market mutual funds and no-load mutual funds, guaranteed investment contracts or public funds investment pools.

For fiscal year 2017, the District invested in certificates of deposit, commercial paper, U.S. Government Agency securities, municipal bonds, the Texas Local Government Investment Pool (Texpool), Texas Association of School Boards Lone Star Investment Pool (Lone Star), Texas DAILY and Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS).

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Texpool is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; no-load money market mutual funds regulated by the Securities and Exchange Commission (SEC) and rated AAA or equivalent by at least one nationally recognized rating agency (NRSRO); and securities lending programs.

Lone Star is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, and managed by Standish Mellon Asset Management Company, LLC and American Beacon Advisors. State Street Bank and Trust Company is the custodial bank. Lone Star is restricted to invest in obligations of the U.S. or its agencies and instrumentalities, other obligations insured by the U.S., fully collateralized repurchase agreements having a defined termination date, secured by obligations described previously, and SEC-regulated no-load money market mutual funds, the assets which consist exclusively of the obligations described above.

Texas TERM is a local government investment pool organized in the year 2000 in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexasTERM is directed by an Advisory Board of experienced local government officials, finance directors and treasurers and is administered by PFM Asset Management, LLC. U.S. Bank, N.A. is the custodial bank. Texas TERM offers a series of professionally managed portfolios that are available to government entities in the State of Texas. The District currently invests in the following:

- Texas DAILY, a money market portfolio with daily liquidity that is rated AAAm* by Standard & Poor's.

Texas CLASS is organized under the Sixth Amended and Restated Trust Agreement in accordance with all the requirements contained in section 2256.016 of PFIA. Texas CLASS is administered by Public Trust Advisors, LLC and all funds are held by the custodial agent, Wells Fargo Bank Texas, N.A. Texas CLASS may invest in obligations of the U.S. or its agencies and instrumentalities; repurchase agreements; SEC-registered money market funds rated in the highest rating category by at least one NRSRO; and commercial paper rated A-1, P-1 or equivalent by two nationally recognized rating agencies.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

PASADENA INDEPENDENT SCHOOL DISTRICT

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The District's investment measurements and balances, weighted average maturity, and credit risks of such investments are as follows:

	Current Investments	Long-term Investments	Significant Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments Measured at Amortized Cost:						
Investment Pools						
TexPool	\$ 28,962,069	\$ -	-	12.7%	30	AAAm**
TexPool Prime	481,093	-	-	0.2%	47	AAAm**
Lone Star Corporate Overnight Fund	1,266,829	-	-	0.6%	40	AAAm**
Lone Star Government Overnight Fund	46,487	-	-	0.0%	22	AAAm**
Texas DAILY	297,159	-	-	0.1%	41	AAAm**
Investments Measured at Fair Value, Not Subject to Level Reporting:						
Investment Pools						
Lone Star Corporate Overnight Plus Fund	8,314,921	-	-	3.7%	43	AAAf/SI+**
Texas CLASS	14,261,472	-	-	6.3%	56	AAA/AA GIP**
Investments Measured at Fair Value:						
Certificates of Deposit	2,000,585	740,210	2,740,795	1.2%	306	Not Rated*
Commercial Paper	65,587,161	-	65,587,161	28.8%	103	A1/A1+**
U.S. Government Agencies	18,850,632	79,219,762	98,070,394	43.1%	746	AA+**
Municipal Bonds	3,705,631	3,914,462	7,620,093	3.3%	403	A-/AA/AA+**
Total	\$ 143,774,039	\$ 83,874,434	\$ 174,018,443	100.0%	378	
Portfolio Weighted Average Maturity					378	

*Certificates of deposit are not rated, but are insured by FDIC.

**S&P rating

The TexPool, Lone Star Corporate / Government Overnight Funds, and Texas DAILY investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Such investment pools have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

The Lone Star Corporate Overnight Plus Fund and Texas CLASS investment pools are external investment pools measured at fair value, i.e. their net asset value. Such investment pool's strategy are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pools. Lone Star Corporate Overnight Plus Fund and Texas CLASS have a redemption notice period of one day and may redeem daily. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

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Certificates of deposit reported at fair value are classified in Level 2 of the fair value hierarchy using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Commercial Paper, classified in Level 2 of the fair value hierarchy, is valued using index pricing and market spreads.

U.S. Government Agency Securities are classified as Level 2 on the fair value hierarchy, which are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Municipal Bonds are classified as Level 2 on the fair value hierarchy, which are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations. The District's investment ratings are noted in the table above.

Interest Rate Risk

The interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 180 days. The maximum allowable stated maturity of any other individual investment owed by the District shall not exceed four year from the time of purchase. However, the board may specifically authorize a longer maturity for a given instrument, within legal limits.

Concentration of Credit Risk

The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer. The District's investment policy does not limit an investment in any one issuer.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2017, District's banks' balances of \$21,479,860 were not exposed to custodial credit risk because such balances were insured and collateralized with securities held by the District's agent in the District's name.

Custodial Credit Risk - Investments

The District's agent holds securities in the District's name; therefore, the District is not exposed to custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker/dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District's policy requires that the investments of the District shall be secured through third-party custodial and safekeeping procedures as designated by the District.

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Note 4 - Receivables

Tax revenues of the general fund and debt service fund are reported net of uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Change in Uncollectibles Related to General Fund Property Taxes	\$ (830,012)
Change in Uncollectibles Related to Debt Service Property Taxes	(160,710)
Total Change in Uncollectibles of the Current Fiscal Year	\$ (990,722)

Approximately 77% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

Note 5 - Capital Assets

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

	Beginning Balance	Additions	Retirements, Transfers and Adjustments	Ending Balance
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land and Improvements	\$ 71,067,634	\$ 105,000	\$ (269,569)	\$ 70,903,065
Construction in Progress	13,001,421	86,510,695	(13,001,421)	86,510,695
Total Capital Assets, not being Depreciated	84,069,055	86,615,695	(13,270,990)	157,413,760
Capital Assets, being Depreciated:				
Buildings and Improvements	1,025,357,343	7,190,882	13,001,421	1,045,549,646
Furniture and Equipment	161,338,662	7,073,697	(473)	168,411,886
Total Capital Assets, being Depreciated	1,186,696,005	14,264,579	13,000,948	1,213,961,532
Less Accumulated Depreciation for:				
Buildings and Improvements	(279,246,497)	(20,582,914)	-	(299,829,411)
Furniture and Equipment	(109,551,691)	(9,993,555)	-	(119,545,246)
Total Accumulated Depreciation	(388,798,188)	(30,576,469)	-	(419,374,657)
Total Capital Assets, being Depreciated, net	797,897,817	(16,311,890)	13,000,948	794,586,875
Governmental Activities Capital Assets, net	\$ 881,966,872	\$ 70,303,805	\$ (270,042)	\$ 952,000,635

PASADENA INDEPENDENT SCHOOL DISTRICT**Exhibit F-1****NOTES TO THE FINANCIAL STATEMENTS****AUGUST 31, 2017**

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:

11 Instruction	\$ 19,303,162
12 Instructional Resources and Media Services	442,371
13 Curriculum and Instructional Staff Development	492,365
21 Instructional Leadership	386,650
23 School Leadership	2,333,685
31 Guidance, Counseling, and Evaluation Services	1,253,296
32 Social Work Services	18,262
33 Health Services	306,886
34 Student Transportation	1,004,520
36 Extracurricular Activities	467,133
41 General Administration	723,549
51 Plant Maintenance and Operations	3,064,277
52 Security and Monitoring Services	324,715
53 Data Processing Services	439,372
61 Community Services	16,226
Total Depreciation Expense-Governmental Activities	\$ 30,576,469

Construction Commitments

The District has active construction projects as of August 31, 2017. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

Projects	Remaining Commitment
Dobie 9th Grade Campus	\$ 4,058,942
Dr. Kirk Lewis Career and Technical HS Additions	3,221,450
L. F. Smith Elementary	374,814
Mae Smythe Elementary School	13,590,654
Early College High School-Memorial	160,058
Pomeroy Elementary	5,338,469
Early College High School-Rayburn	52,144
Early College High School-South Houston	64,605
Beverly Hills Intermediate School	100,000
K Morris MS Portables	10,039
Schneider MS Portables	77,061
Richey ES Drive Modification	2,070
Fisher ES Relocate Portables	59,208
Parkview Int. Relocate Portables	16,155
Red Bluff ES Relocate Portables	11,919
Totals	\$ 27,137,588

PASADENA INDEPENDENT SCHOOL DISTRICT*Exhibit F-1**NOTES TO THE FINANCIAL STATEMENTS**AUGUST 31, 2017***Note 6 - Interfund Receivables, Payables, and Transfers**

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Interfund balances as of August 31, 2017, were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 8,402,367	\$ 7,998,052
Debt Service Fund	-	351,410
Capital Projects Fund	-	3,588,794
Nonmajor Governmental Funds	6,237,125	4,592,893
Proprietary Funds:		
Internal Service Fund	1,974,086	82,429
Totals	\$ <u>16,613,578</u>	\$ <u>16,613,578</u>

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District’s transfers for the year ended August 31, 2017:

<u>Transfer Out</u>	<u>Transfers In</u>	<u>Amount</u>
CASE Partnership	Campus Activity Funds	\$ 45,035
Total		\$ <u>45,035</u>

Transfers to Campus Activity from the CASE Partnership, in excess of the required amount, enable campuses to sustain the afterschool program.

Note 7 - Long-Term Liabilities

The District’s long-term liabilities consist of bond indebtedness, health insurance, workers’ compensation, compensated absences, net pension liability and derivative instruments-rate swaps. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Health insurance and workers’ compensation are accounted for in the internal service funds. Other long-term liabilities are generally liquidated with resources of the general fund.

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit F-1

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 704,940,000	\$ -	\$ (15,235,000)	\$ 689,705,000	\$ 17,585,000
Deferred Amounts:					
For Issuance Premiums	68,940,747	-	(3,735,164)	65,205,583	-
Total Bonds Payable, net	773,880,747	-	(18,970,164)	754,910,583	17,585,000
Health Insurance Claims	3,299,023	33,943,505	(32,466,211)	4,776,317	4,776,317
Workers' Compensation Claims	2,339,313	1,011,202	(911,052)	2,439,463	651,958
Compensated Absences	485,761	5,031	(57,333)	433,459	76,120
Net Pension Liability	134,428,514	20,748,053	(13,417,317)	141,759,250	-
Derivative Instruments-Rate Swaps	24,371,166	-	(6,126,061)	18,245,105	-
Governmental Activities Long-term Liabilities	\$ 938,804,524	\$ 55,707,791	\$ (71,948,138)	\$ 922,564,177	\$ 23,089,395

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities, buses (BLDG), and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds currently outstanding are as follows:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2005B - BLDG	Variable	\$ 80,000,000	2035	\$ 79,900,000	\$ -	\$ -	\$ 79,900,000
2007 - BLDG	3.60-5.00%	66,980,000	2026	4,755,000	-	(4,755,000)	-
2008 - REF	3.00-5.00%	42,930,000	2022	32,060,000	-	(4,890,000)	27,170,000
2010 - REF	2.50-5.00%	56,385,000	2029	50,895,000	-	-	50,895,000
2012A - BLDG	2.00-5.00%	60,755,000	2041	56,040,000	-	-	56,040,000
2012B - REF	2.00-5.00%	12,785,000	2021	10,130,000	-	(1,485,000)	8,645,000
2012C - BLDG	4.089%	29,050,000	2030	29,050,000	-	-	29,050,000
2012D - REF	2.00-5.00%	30,260,000	2024	25,720,000	-	(795,000)	24,925,000
2013 - BLDG & REF	1.00-5.00%	226,360,000	2043	202,625,000	-	(200,000)	202,425,000
2014A - REF	0.97%	4,600,000	2017	1,555,000	-	(1,555,000)	-
2014B - REF	1.94%	2,380,000	2021	1,855,000	-	(290,000)	1,565,000
2015A - BLDG	3.00-5.00%	61,060,000	2035	61,060,000	-	-	61,060,000
2015B - BLDG	Variable	98,375,000	2044	98,375,000	-	-	98,375,000
2015 - REF	3.00-5.00%	50,920,000	2035	50,920,000	-	(1,265,000)	49,655,000
Totals				\$ 704,940,000	\$ -	\$ (15,235,000)	\$ 689,705,000

PASADENA INDEPENDENT SCHOOL DISTRICT*Exhibit F-1***NOTES TO THE FINANCIAL STATEMENTS****AUGUST 31, 2017**

The 2005B series bonds were issued as current interest bonds with a scheduled final maturity on February 15, 2035. Following the initial rate period, the bonds will bear interest at a weekly rate determined by the remarketing agent with a weekly rate period from Thursday in each week through the following Wednesday unless a different rate period is specified by the District; however, the interest rate mode on the bonds may, at the District's option, be converted from time to time to a term rate or monthly rate or to a flexible rate; or to a fixed rate until maturity. The bonds are subject to mandatory redemption and a mandatory redemption schedule has been established.

Variable Rate Unlimited Tax School Building Bonds, Series 2005B

<u>Principal Amount</u>	<u>End of Initial Rate Period</u>	<u>Final Maturity</u>	<u>Initial Rate</u>	<u>Initial Yield</u>
\$ 80,000,000	August 31, 2005	February 1, 2035	4.70%	2.35%

The interest rate borne by the bonds cannot exceed the lesser of a maximum rate of 8 percent or the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended.

The 2015B series bonds were issued as current interest bonds with a scheduled final maturity on February 15, 2044. Following the initial rate period, the bonds will bear interest at a term rate determined by the remarketing agent with a term rate period of two years unless a different rate period is specified by the District; however, the interest rate mode on the bonds may, at the District's option, be converted from time to time to a weekly rate, monthly rate, quarterly rate, semiannual rate or a different term rate period or to a flexible rate; or to a fixed rate until maturity. The bonds are subject to mandatory redemption and a mandatory redemption schedule has been established.

Variable Rate Unlimited Tax School Building Bonds, Series 2015B

<u>Principal Amount</u>	<u>End of Initial Rate Period</u>	<u>Final Maturity</u>	<u>Initial Rate</u>	<u>Initial Yield</u>
\$ 98,375,000	August 15, 2019	February 15, 2044	3.00%	1.29%

The interest rate borne by the bonds cannot exceed the lesser of a maximum rate of 6.75 percent or the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended.

PASADENA INDEPENDENT SCHOOL DISTRICT*Exhibit F-1**NOTES TO THE FINANCIAL STATEMENTS**AUGUST 31, 2017*

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending August 31	Principal Value	Interest	Total Requirements
2018	\$ 17,585,000	\$ 30,031,203	\$ 47,616,203
2019	18,520,000	29,209,923	47,729,923
2020	19,850,000	29,273,711	49,123,711
2021	21,615,000	28,261,334	49,876,334
2022	22,675,000	27,206,568	49,881,568
2023	24,850,000	26,079,268	50,929,268
2024	25,000,000	24,883,349	49,883,349
2025	24,330,000	23,750,269	48,080,269
2026	25,475,000	22,607,095	48,082,095
2027	27,000,000	21,342,812	48,342,812
2028	26,910,000	20,031,219	46,941,219
2029	28,220,000	18,721,021	46,941,021
2030	51,555,000	16,953,462	68,508,462
2031	26,245,000	15,259,509	41,504,509
2032	27,375,000	14,120,135	41,495,135
2033	28,510,000	12,950,811	41,460,811
2034	29,535,000	11,661,567	41,196,567
2035	30,925,000	10,273,059	41,198,059
2036	18,915,000	9,136,850	28,051,850
2037	23,595,000	8,168,650	31,763,650
2038	24,700,000	7,059,675	31,759,675
2039	25,865,000	5,897,950	31,762,950
2040	27,080,000	4,680,900	31,760,900
2041	28,335,000	3,427,375	31,762,375
2042	25,570,000	2,216,150	27,786,150
2043	26,710,000	1,073,100	27,783,100
2044	12,760,000	255,200	13,015,200
Totals	\$ 689,705,000	\$ 424,532,165	\$ 1,114,237,165

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated that it does not have any arbitrage liability as of August 31, 2017.

Prior Years' Refunding of Long-Term Debt

In prior years, the District defeased certain outstanding bonds by placing proceeds of new bonds in irrevocable escrow accounts to provide for all future debt service payments on the old bonds. Accordingly, the escrow accounts to provide for all future bonds are not included in the District's financial statements. At August 31, 2017, the District had no defeased bonds outstanding.

Authorized but Unissued Bonds

On November 7, 2017, subsequent to fiscal year end, the District's voters authorized the sale of \$135,000,000 in general obligation bonds. On November 28, 2017, the Board of Trustees approved an officer of the District to issue unlimited tax school building bonds in one or more series to not exceed \$135,000,000 within certain parameters. As of the date of the auditor's report, such bonds have not been sold.

PASADENA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

Exhibit F-1

Interest Rate Swap Agreements

Variable Interest Rate Bonds Synthetic Fixed Rate Swaps

As a means to reduce its borrowing cost in comparison to the issuance of traditional fixed rate bonds at the time of issuance, on March 23, 2005 the District entered into two identical pay fixed/receive variable rate swap agreements on the District's \$80,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2005B (the bonds). The swap agreements and the bonds were issued at the same time. The swap agreements are with Morgan Stanley Capital Services (MS) and Bank of America (BOA), each in original notional amount of \$40,000,000 in order to synthetically fix the interest obligations of the variable interest bonds.

Objective

The objective of the swaps is to hedge against the potential of rising interest rates in conjunction with the District's \$80,000,000 variable interest rate Unlimited Tax School Building Bonds Series 2005B ("2005B Bonds"). The fair value balance and notional amounts of the derivative instrument outstanding at August 31, 2017, and the changes in fair value of the derivative instrument for the year then ended are as follows:

<i>Governmental Activities</i>	Fair Value at August 31, 2017		
	Classification	Amount	Notional
Cash Flow Hedge:			
Accumulated decrease in fair value of interest rate swaps	Deferred Outflow	\$ 18,245,105	
Derivative instrument - rate swap	Liability	18,245,105	\$ 79,900,000

<i>Governmental Activities</i>	Change in Fair Value	
	Classification	Amount
Cash Flow Hedge:		
Decrease in fair value of interest rate swaps	Deferred Outflow	\$ 6,126,061
Decrease in derivative instrument - rate swap	Liability	6,126,061

Terms

The Swap notional amount totals \$79,900,000, the principal amount of the associated 2005B Bonds. The District's swap agreements contain scheduled reductions to outstanding notional amounts that follow anticipated payments of principal of the 2005B Bonds in varying amounts during the years 2022 to 2035. Under the terms of the swaps, the District will pay a fixed rate of 3.689% and receive a floating rate equal to 68% of one month London Interbank Offered Rate (LIBOR) Index. All agreements were effective March 23, 2005, the date of issuance of the 2005B Bonds. The termination date is February 1, 2035.

The cumulative effective rate on the 2005B Bonds associated with the Swap is as follows:

	Rate Received (Paid)
Fixed rate (paid) received for swap agreement	(3.689) %
Remarketing fees on 2005B Bonds	(0.060) %
Liquidity fees on 2005B Bonds	(0.390) %
Ongoing swap interest costs	(4.139) %
Swap cost (benefit) to date	(0.031) %
Effective swap rate to date	(4.170) %

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit F-1

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

In contrast, the fixed rate the District would have paid on General Obligation Bonds at a comparable maturity on the same sale date would have been 4.92%. The savings on the interest expenditures realized by participating in the Swap agreement has resulted in \$3,711,794 as compared to costs the District would have incurred if the debt had been issued as traditional fixed rate bonds at the time of issuance.

Fair Value

Because long-term LIBOR Swap interest rates have declined since inception of the Swaps, the Swaps had a negative fair value of \$18,245,105. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. The fair value is recorded on the Statement of Net Position of the District as a deferred outflow of resources and a liability for the derivative instrument as a governmental activity.

The swaps are classified in Level 2 of the fair value hierarchy.

Credit Risk

As of August 31, 2017, the District was not exposed to credit risk because the swaps had a negative fair value. However, should interest rates increase and the fair value of the Swap become positive, the District would be exposed to credit risk on the Swap in the amount of its fair value.

Counterparty	Notional Amount	Fair Value Amount	Counterparty Credit Rating (Moody/S&P)
Morgan Stanley Capital Services	\$ 39,950,000	\$ (9,122,106)	A1 / A+-t
Bank of America, N.A.	39,950,000	(9,122,999)	A1 / A+
	<u>\$ 79,900,000</u>	<u>\$ (18,245,105)</u>	

Basis Risk

The District is exposed to basis risk on the Swaps because the variable payment received is based on LIBOR rather than Securities Industry and Financial Market Association (SIFMA). Should the relationship between LIBOR and SIFMA move to convergence the expected cost savings may not be realized.

Interest Rate Risk

On the pay fixed/receive variable interest rate swaps, the District's net payment increases as LIBOR decreases. When LIBOR decreases, the District receives a lower payout from the Swaps and its net payments on the Swaps increase. Conversely, when LIBOR increases, the District receives a higher payout from the Swaps and its net payments on the Swaps decrease.

Termination Risk

The District may terminate for any reason. The District has the unilateral right to voluntarily terminate the Swap agreements at any time over their term at the then prevailing market value; therefore, voluntary termination is unlikely by the District if the fair value is negative. A Counterparty may terminate a Swap if the District fails to perform under the terms of the contract. The District's options are to terminate with the Swap providers at an agreed market value, assign the Swap to a third party based on bids or quotes, or enter into an off-setting transaction (a reversal). If the Swap should be terminated, the associated variable- rate bonds would no longer carry synthetic fixed interest rates. Also, if at the time of the termination the Swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the Swap's fair value.

PASADENA INDEPENDENT SCHOOL DISTRICT*Exhibit F-1**NOTES TO THE FINANCIAL STATEMENTS**AUGUST 31, 2017*

The Swap agreements are subject to termination in the event of default or as follows:

- Agreement with Morgan Stanley: If the ratings assigned to either the District's or Morgan Stanley unenhanced long-term debt obligations are withdrawn or reduced to BBB- by S&P or Baa3 by Moody's.
- Agreement with Bank of America: If the ratings assigned to either the District's or Bank of America's long-term debt obligations are withdrawn or reduced to BBB- by S&P or Baa3 by Moody's.

As of August 31, 2017, Morgan Stanley was rated A1 and A++ by Moody's Investors Service and Standard & Poor's respectively, while Bank of America, N.A. was rated A1 and A+ by Moody's and S&P respectively.

Market – Access Risk

The District has a risk that the remarketing agent will not be able to sell the variable rate bonds at a competitive rate. However, the District's Standby Bond Purchases Agreement mitigates the risk.

Rollover Risk

The District's Series 2005B Bonds and Swaps have matching notional maturity dates of February 1, 2035; therefore, the District is not exposed to rollover risk at this time.

Currently, the District's Stand-by Purchase Bond Agreement is with Bank of America, N.A. and expires on August 29, 2020. The price and availability to renew or secure future agreements are subject to market conditions and may expose the District to possible renewal risk.

Swap Payments and Associated Debt

As of August 31, 2017, the following are debt service requirement assuming current interest rates remain the same. As rates vary, variable rate bond interest payments and net Swap payments will vary.

Fiscal Year Ending	Principal	Variable Rate Payments	Hedging, Net	Total
2018	\$ -	\$ 631,210	\$ 2,638,298	\$ 3,269,508
2019	-	631,210	2,638,298	3,269,508
2020	-	631,210	2,638,298	3,269,508
2021	-	631,210	2,638,298	3,269,508
2022	3,735,000	612,343	2,580,992	6,928,335
2023-2027	31,890,000	2,319,362	9,836,515	44,045,877
2028-2032	25,990,000	1,274,741	5,435,103	32,699,844
2033-2035	18,285,000	201,020	905,482	19,391,502
Totals	\$ 79,900,000	\$ 6,932,306	\$ 29,311,284	\$ 116,143,590

PASADENA INDEPENDENT SCHOOL DISTRICT*Exhibit F-1**NOTES TO THE FINANCIAL STATEMENTS**AUGUST 31, 2017***Operating Leases**

Commitments under operating lease agreements for facilities and equipment provide for minimum future rental payments. As of August 31, 2017, these payments were as follows:

<u>Year ending August 31:</u>	<u>General</u>
2018	\$ 340,818
2019	150,312
2020	27,722
2021	16,222
2022	2,416
<i>Total Minimum Rentals</i>	\$ <u>537,490</u>

Rental expenditures in fiscal year 2017 were \$ 351,905.

Note 8 – Fund Balance

Other committed fund balance includes the following commitments of funds:

Nonmajor-Other Governmental Funds:

Campus Activity Funds	\$ <u>3,847,278</u>
<i>Total Other Committed Fund Balance</i>	\$ <u>3,847,278</u>

Note 9 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Property Taxes	\$ 133,903,188	\$ 34,938,606	\$ -	\$ -	\$ 168,841,794
Charges for Services	1,207,422	-	-	8,897,723	10,105,145
Investment Earnings	1,098,718	599,767	1,074,665	42,915	2,816,065
Other	4,845,659	-	-	1,752,776	6,598,435
<i>Total</i>	\$ <u>141,054,987</u>	\$ <u>35,538,373</u>	\$ <u>1,074,665</u>	\$ <u>10,693,414</u>	\$ <u>188,361,439</u>

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit F-1

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

Note 10 - Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverage for each of the past three fiscal years.

Note 11 - Self-Funded Health Insurance

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the "Plan"). The District contributed \$245 per month per employee to the Plan, and an additional \$5,000,000 in contributions at the discretion of District. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Reliastar Life Insurance Company, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$375,000.

Liabilities of the self-funded employee group health insurance plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is based on the District's historical experience. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past three fiscal years. According to the latest actuarial opinion, updated August 31, 2017, in reported claims that were unpaid and estimated incurred but not reported, the accrual for such claims totaled \$4,776,317.

An analysis of claims liability for the past two fiscal years are as follows:

	<u>2017</u>	<u>2016</u>
Accrual, September 1	\$ 3,299,023	\$ 2,009,819
Current year estimates	33,943,505	48,515,746
Payments for claims	(32,466,211)	(47,226,542)
Accrual, August 31	\$ 4,776,317	\$ 3,299,023

Note 12 - Self-Insured Worker's Compensation

During the year ended August 31, 2017, the District met its statutory workers' compensation obligations by participating as a self-funded member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. As a self-funded member of the TASB Risk Management Fund, the District is solely responsible for all claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

PASADENA INDEPENDENT SCHOOL DISTRICT*Exhibit F-1**NOTES TO THE FINANCIAL STATEMENTS**AUGUST 31, 2017*

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other nonincremental claims adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example for subrogation, are another component of the claims liability estimate.

The District is protected against higher than expected claims costs through the purchase of stop loss coverage. An excess coverage insurance policy covers individual claims in excess of \$1,000,000. Settlements have not exceeded coverages for each of the past three fiscal years and there were no significant reductions in insurance coverage from the prior year. The workers' compensation claims liability is presented in the amount of \$2,439,463.

The following year-by-year exposure details the number of annual claims:

<u>Fiscal Year</u>	<u>Claims</u>
2008	365
2009	311
2010	365
2011	359
2012	371
2013	588
2014	374
2015	347
2016	342
2017	361
10-Year Average	<u>378</u>

Changes in the worker's compensation claims liability amounts in the past two fiscal years are as follows:

	<u>2017</u>	<u>2016</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 2,339,313	\$ 2,734,170
Incurred Claims, including provision (adjustment) for IBNR	1,011,202	518,022
Claim Payments	(911,052)	(912,879)
Unpaid Claims, End of Fiscal Year	\$ <u>2,439,463</u>	\$ <u>2,339,313</u>

Note 13 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

Note 14 - Pension Information**Plan Description**

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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.

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' 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.

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit F-1

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

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 2015 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal year 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2016 and 2017. Rates for such plan fiscal years are as follows:

	2017	2016	2015
Member	7.7%	7.2%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%	6.8%
Employers/District	6.8%	6.8%	6.8%

The contribution amounts for the District's fiscal year 2017 are as follows:

District Contributions	\$ 12,777,649
Member Contributions	29,666,623
NECE On-behalf Contributions (State)	17,836,184

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

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 the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit F-1

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

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.

Actuarial Assumptions

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2115
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Benefit Changes During the Year	None
Ad Hoc Post-employment Benefit Changes	None

*If a municipal bond rate was to be used, the rate would be 2.84% as of August 2016 (i.e. the Weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

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

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit F-1

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

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

<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.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

*The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit F-1

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2017

Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 8.0%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
TRS	\$ 219,395,566	\$ 141,759,250	\$ 75,907,960

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

At August 31, 2017, the District reported a liability of \$141,759,250 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's Proportionate Share of the Net Pension Liability	\$ 141,759,250
State's Proportionate Share of the Net Pension Liability Associated with the District	207,913,636
Total	\$ 349,672,886

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2015 through August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was .3751385%, which was a decrease of .0051545% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$30,338,289 and revenue of \$21,576,478 for support provided by the State.

PASADENA INDEPENDENT SCHOOL DISTRICT*Exhibit F-1**NOTES TO THE FINANCIAL STATEMENTS**AUGUST 31, 2017*

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,222,758	\$ 4,232,849
Changes of Assumptions	4,320,568	3,929,378
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	12,003,881	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions (Cost-Sharing Plan)	21,836,257	12,900
District Contribution after Measurement Date	12,777,649	-
Totals	\$ 53,161,113	\$ 8,175,127

\$12,777,649 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2018. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending August 31:

2018	\$ 5,490,265
2019	5,490,265
2020	13,146,925
2021	4,901,994
2022	2,699,035
Thereafter	479,853
Total	\$ 32,208,337

Note 15 - Retiree Health Plan**Fund Description**

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

PASADENA INDEPENDENT SCHOOL DISTRICT*Exhibit F-1***NOTES TO THE FINANCIAL STATEMENTS****AUGUST 31, 2017****Funding Policy**

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2017-2015.

Contribution Rates and Contribution Amounts

Year	Active Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	\$ 2,504,325	1.00%	\$ 3,534,844	0.55%	\$ 2,119,044
2016	0.65%	\$ 2,415,415	1.00%	\$ 3,396,326	0.55%	\$ 2,043,813
2015	0.65%	\$ 2,272,260	1.00%	\$ 3,190,911	0.55%	\$ 1,922,681

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State on behalf of the District have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on-behalf of the District were \$1,149,409, \$1,440,835, and \$1,428,250, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 16 – Nonmonetary Transaction

During 2017, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$587,680. The textbooks purchased by the State on behalf of the District have been recorded in the Instructional Materials Allotment special revenue fund as both state revenue and expenditures.



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REQUIRED SUPPLEMENTARY INFORMATION



PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate revenues	\$ 136,748,300	\$ 143,055,384	\$ 141,054,987	\$ (2,000,397)
5800	State program revenues	327,449,170	323,611,170	322,732,999	(878,171)
5900	Federal program revenues	12,338,931	12,338,931	6,281,777	(6,057,154)
5020	Total Revenues	476,536,401	479,005,485	470,069,763	(8,935,722)
EXPENDITURES					
Current:					
0011	Instruction	302,378,874	301,285,293	300,855,952	429,341
0012	Instructional resources and media services	6,629,022	7,038,052	6,963,247	74,805
0013	Curriculum and instructional staff development	7,346,484	7,817,073	7,750,189	66,884
0021	Instructional leadership	5,999,858	6,261,117	6,090,705	170,412
0023	School leadership	35,329,800	36,616,061	36,583,890	32,171
0031	Guidance, counseling, and evaluation services	18,608,263	19,856,793	19,721,453	135,340
0032	Social work services	337,658	340,458	287,453	53,005
0033	Health services	5,211,814	5,298,697	4,830,609	468,088
0034	Student transportation	15,457,601	18,516,812	15,012,970	3,503,842
0036	Extracurricular activities	10,185,531	10,515,904	7,370,399	3,145,505
0041	General administration	11,825,406	12,344,451	11,097,492	1,246,959
0051	Plant maintenance and operations	51,869,073	52,930,288	45,286,012	7,644,276
0052	Security and monitoring services	4,821,805	5,072,431	5,061,243	11,188
0053	Data processing services	6,962,138	9,326,350	6,916,037	2,410,313
0061	Community services	366,559	451,840	255,412	196,428
Capital Outlay:					
0081	Facilities acquisition and construction	1,550,000	3,073,720	1,997,071	1,076,649
Intergovernmental:					
0095	Payments to juvenile justice alternative education programs	100,000	115,000	105,950	9,050
0099	Other intergovernmental charges	1,259,000	1,259,000	1,202,272	56,728
6030	Total Expenditures	486,238,886	498,119,340	477,388,356	20,730,984
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,702,485)	(19,113,855)	(7,318,593)	11,795,262
OTHER FINANCING SOURCES (USES)					
7912	Sale of real and personal property	-	1,030,030	1,001,055	(28,975)
8949	Tax refunds per court order	-	(750,000)	(691,555)	58,445
7080	Total Other Financing Sources (Uses)	-	280,030	309,500	29,470
1200	Net Change in Fund Balance	(9,702,485)	(18,833,825)	(7,009,093)	11,824,732
0100	Fund Balance - Beginning	102,792,620	102,792,620	102,792,620	-
3000	Fund Balance - Ending	\$ 93,090,135	\$ 83,958,795	\$ 95,783,527	\$ 11,824,732

The accompanying notes to the required supplementary information are an integral part of this schedule.

PASADENA INDEPENDENT SCHOOL DISTRICT**Exhibit G-2**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OF A COST-SHARING MULTIPLE-EMPLOYER PENSION PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE LAST THREE FISCAL YEARS***

	2017	2016	2015
District's Proportion of the Net Pension Liability	0.3751385%	0.3802930%	0.2777593%
District's Proportionate Share of the Net Pension Liability	\$ 141,759,250	\$ 134,428,514	\$ 74,193,350
State's Proportionate Share of the Net Pension Liability Associated with the District	207,913,636	194,271,517	164,362,313
Total	\$ 349,672,886	\$ 328,700,031	\$ 238,555,663
District's Covered Payroll	\$ 371,602,326	\$ 349,578,393	\$ 324,945,284
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	38.15%	38.45%	22.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.

Ten years of data is not available.

The accompanying notes to the required supplementary information are an integral part of this schedule.

PASADENA INDEPENDENT SCHOOL DISTRICT*Exhibit G-3***SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE
TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN
FOR THE LAST THREE FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
TRS			
Contractually Required Contributions	\$ 12,777,649	\$ 11,919,889	\$ 11,260,635
Contributions in Relation to the Contractually Required Contributions	<u>(12,777,649)</u>	<u>(11,919,889)</u>	<u>(11,260,635)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
 District's Covered Payroll	 \$ 385,280,812	 \$ 371,602,326	 \$ 349,578,393
 Contributions as a Percentage of Covered Payroll	 3.32%	 3.21%	 3.22%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end August 31.
Ten years of data is not available.

The accompanying notes to the required supplementary information are an integral part of this schedule.

Note 1 - Budget**Budgetary Information**

The District adopts annual appropriations type budgets for the General Fund, *National School Breakfast and Lunch Program* Special Revenue Fund, and the Debt Service Fund as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund, *National School Breakfast and Lunch Program* Special Revenue Fund, and the Debt Service Fund during the fiscal year ended August 31, 2017.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types prior to August 20, 2016. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

Note 2 - Pension**TRS - Actuarial Assumptions for Contribution Rate**

Actuarial Assumptions – The information presented in the following table was used in the actuarial valuation for determining the actuarially determined contribution rate. The assumptions are as follows:

Valuation Date	August 31, 2016
Actuarial Cost Method	Ultimate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Floating
Remaining Amortization Period	33 Years
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Inflation	2.50%
Salary Increases	3.50% to 9.50% including Inflation
Investment Rate of Return	8.00%
Ad Hoc Post-employment Benefit Changes	None
Benefit Changes During the Year	None



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SUPPLEMENTARY INFORMATION





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PASADENA INDEPENDENT SCHOOL DISTRICT

FUND DESCRIPTIONS

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS

AUGUST 31, 2017

Texas Support for Homeless Education

Accounts on a project basis for funds granted for a variety of staff development and supplemental services, including in-service training, counseling, psychological services and tutoring.

ESEA Title I:

ESEA Title I, Part A, Improving Basic Programs

To account, on a project basis, for funds received from the U.S. Department of Education, passed through the State Department of Education, allocated to local educational agencies to enable schools to provide opportunities for children served to acquire the knowledge and skills contained in the challenging State content standards and to meet the challenging State performance standards developed for all children.

Title I, Priority and Focus School Grant

To account, on a project basis, for funds awarded through TEA for the purpose of ensuring that all children have a fair, equal, and significant opportunity to obtain a high-quality education and to reach, proficiency on challenging State academic standards and assessments.

ESEA Title I, Part C

This fund classification is used to account a project basis for funds granted for programs benefiting children of migrant agriculture or agriculture-related workers and children of migrant fishermen.

IDEA, Part B, Formula

To account, on a project basis, for funds received from the U.S. Department of Education, passed through the State Department of Education, granted to operate educational programs for children with disabilities.

IDEA, Part B, Preschool

To account, on a project basis, for funds received from the U.S. Department of Education, passed through the State Department of Education, granted for preschool children with disabilities.

IDEA, Part B, High Cost Risk Pool

To account, on a project basis, for funds received from the U.S. Department of Education, passed through the State Department of Education, granted for high need children with disabilities.

National School Breakfast and Lunch Program

To account for receipt and expenditure of funds received from the U.S. Department of Agriculture, passed through the State Department of Education, to provide breakfast and lunch to school children and for other allowable child nutrition program purposes.

Summer Feeding Program

Accounts on a project basis for funds received from Texas Department of Agriculture that are awarded for meals provided to the community based on the average number of daily participants.

Career and Technical - Basic Grant

To account, on a project basis, for funds received from the U.S. Department of Education, passed through the State Department of Education, granted to provide Career and Technical education to develop new and/or improve Career and Technical education programs for paid and unpaid employment.

PASADENA INDEPENDENT SCHOOL DISTRICT

FUND DESCRIPTIONS

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS

AUGUST 31, 2017

ESEA Title II, Part A, Teacher and Principal Training and Recruiting

To account, on a project basis, for funds received from the U.S. Department of Education, passed through the State Department of Education, provided to local education agencies to increase student academic achievement through improving teacher and principal quality, and increasing the number of highly qualified teachers in classrooms and highly qualified principals and assistant principals in schools and to hold local education agencies and schools accountable for improving student academic achievement.

ESEA Title III, Part A:

ESEA Title III, Part A, English Language Acquisition and Language Enhancement

To account, on a project basis, for funds received from the U.S. Department of Education, passed through the State Department of Education, granted to improve the education of limited English proficient children, by assisting the children in learning the English language and to meet challenging State academic content and student academic achievement standards.

Title III, Part A – Immigrant

To account, on a project basis, for funds awarded through TEA for the purpose of ensuring that Immigrant students attain English proficiency and develop high levels of academic achievement.

Title IV, Part B, 21st Century

Accounts on a project basis for funds granted to provide opportunities for communities to establish or expand activities in community learning centers that provide opportunities for academic enrichment and additional services to students and literary and related education development for families of students.

Miscellaneous Federal Grants

Accounts on a project basis for federally funded special revenue funds that have not been specified individually.

Advanced Placement Incentives

To account, on a project basis, for funds awarded from the State Department of Education to school districts under the Texas Advanced Placement Award Incentive Program.

High School Completion & Success

To account, on a project basis for funds awarded by the State Department of Education to school districts to implement programs to support the improvement of high school graduation rates.

State Textbook Fund

To account, on a project basis, for funds provided through the State Department of Education to aide public school districts in the purchase of adopted instructional materials, technological equipment and technology services.

Juvenile Crisis Intervention Program

To account, on a project basis, for funds awarded by the U.S. Department of Justice, Office of the Justice Programs, Office on Juvenile Justice and Delinquency Prevention to support state and local delinquency prevention and intervention efforts and juvenile justice system improvements.

PASADENA INDEPENDENT SCHOOL DISTRICT

FUND DESCRIPTIONS

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS

AUGUST 31, 2017

Miscellaneous State Grants

Accounts on a project basis for State funded special revenue funds that have not been specified individually.

Campus Activity Funds

To account for transactions related to a principal's activity fund that benefits students.

PISD Education Foundation Grant

To account, on a project basis, for funds received from the PISD Education Foundation to the PISD for educator grants. These funds provide equipment, materials, and support to enrich, maintain and expand programs needed to meet the District's stated mission of excellence in education.

Miscellaneous Local Grants

Accounts on a project basis for locally funded special revenue funds that have not been specified individually.

Early College

To account, on a project basis, for funds awarded by Texas Guaranteed Student Loan Corporation to aide in funding the operation and growth of the Early College High School program at Pasadena High School. Students enrolled in this program have the opportunity to satisfy P.I.S.D. graduation requirements, while earning college credits concurrently through nearby San Jacinto College, ultimately graduating with a high school diploma as well as an Associate's degree.

CASE Partnership

To account, on a project basis, for funds awarded by the Harris County Department of Education to support the district after-school program, which must include activities to support language literacy and numeracy development during out-of-school time hours to students with a documented disability.

PASADENA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS

AUGUST 31, 2017

		206	211
Data Control Codes		Texas Support for Homeless Education	ESEA Title I
ASSETS			
1110	<i>Cash and cash equivalents</i>	\$ -	\$ -
1120	<i>Current investments</i>	-	-
	Receivables:		
1240	<i>Due from other governments</i>	58,750	2,379,946
1260	<i>Due from other funds</i>	-	-
1290	<i>Other receivables</i>	-	-
1300	<i>Inventories, at cost</i>	-	-
1410	<i>Prepaid items</i>	1,973	11,623
1000	Total Assets	\$ 60,723	\$ 2,391,569
LIABILITIES			
2110	<i>Accounts payable</i>	\$ -	\$ 2,853
2160	<i>Accrued wages payable</i>	-	1,042,701
2170	<i>Due to other funds</i>	60,723	1,346,015
2300	<i>Unearned revenue</i>	-	-
2000	Total Liabilities	60,723	2,391,569
FUND BALANCES			
	Restricted:		
3450	<i>Grants</i>	-	-
	Committed:		
3545	<i>Other</i>	-	-
3000	Total Fund Balances	-	-
4000	Total Liabilities and Fund Balances	\$ 60,723	\$ 2,391,569

212	224	225	226	240
<u>ESEA Title I, Part C</u>	<u>IDEA - Part B, Formula</u>	<u>IDEA - Part B, Preschool</u>	<u>IDEA - Part B, High Cost Risk Pool</u>	<u>National School Breakfast and Lunch Program</u>
\$ -	\$ -	\$ -	\$ -	\$ 189,519
-	-	-	-	5,355,226
26,640	1,476,534	39,337	-	544,567
-	-	-	-	1,399,885
-	-	-	-	6,157
-	-	-	-	840,418
-	-	-	-	-
<u>\$ 26,640</u>	<u>\$ 1,476,534</u>	<u>\$ 39,337</u>	<u>\$ -</u>	<u>\$ 8,335,772</u>
\$ -	\$ 44	\$ -	\$ -	\$ -
13,458	572,739	3,685	-	714,883
13,182	903,751	35,652	-	-
-	-	-	-	-
<u>26,640</u>	<u>1,476,534</u>	<u>39,337</u>	<u>-</u>	<u>714,883</u>
-	-	-	-	7,620,889
-	-	-	-	-
-	-	-	-	7,620,889
<u>\$ 26,640</u>	<u>\$ 1,476,534</u>	<u>\$ 39,337</u>	<u>\$ -</u>	<u>\$ 8,335,772</u>

Continued

PASADENA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES FUNDS

AUGUST 31, 2017

		242	244
Data Control Codes		Summer Feeding Program	Career and Technical - Basic Grant
ASSETS			
1110	Cash and cash equivalents	\$ -	\$ -
1120	Current investments	-	-
	Receivables:		
1240	Due from other governments	-	58,176
1260	Due from other funds	883,856	-
1290	Other receivables	-	-
1300	Inventories, at cost	-	-
1410	Prepaid items	-	-
1000	Total Assets	\$ 883,856	\$ 58,176
LIABILITIES			
2110	Accounts payable	\$ -	\$ -
2160	Accrued wages payable	942	27,071
2170	Due to other funds	213,159	31,105
2300	Unearned revenue	-	-
2000	Total Liabilities	214,101	58,176
FUND BALANCES			
	Restricted:		
3450	Grants	669,755	-
	Committed:		
3545	Other	-	-
3000	Total Fund Balances	669,755	-
4000	Total Liabilities and Fund Balances	\$ 883,856	\$ 58,176

255	263	265	289	397
ESEA, Title II, Part A - Training and Recruiting	Title III, Part A	Title IV, Part B - 21st Century	Miscellaneous Federal Grants	Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
222,414	195,872	1,110,664	176,832	-
-	-	-	-	76,188
-	-	-	-	-
-	-	-	-	-
-	103,672	-	-	-
<u>\$ 222,414</u>	<u>\$ 299,544</u>	<u>\$ 1,110,664</u>	<u>\$ 176,832</u>	<u>\$ 76,188</u>
\$ -	\$ 377	\$ 146	\$ -	\$ -
122,863	76,218	156,025	49,487	-
99,551	222,949	954,493	125,677	-
-	-	-	1,668	76,188
<u>222,414</u>	<u>299,544</u>	<u>1,110,664</u>	<u>176,832</u>	<u>76,188</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 222,414</u>	<u>\$ 299,544</u>	<u>\$ 1,110,664</u>	<u>\$ 176,832</u>	<u>\$ 76,188</u>

Continued

PASADENA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS
AUGUST 31, 2017

		409	410
Data Control Codes		High School Completion and Success	State Textbook Fund
ASSETS			
1110	<i>Cash and cash equivalents</i>	\$ -	\$ -
1120	<i>Current investments</i>	-	-
	Receivables:		
1240	<i>Due from other governments</i>	-	874,440
1260	<i>Due from other funds</i>	34,800	-
1290	<i>Other receivables</i>	-	-
1300	<i>Inventories, at cost</i>	-	-
1410	<i>Prepaid items</i>	-	-
1000	Total Assets	\$ 34,800	\$ 874,440
LIABILITIES			
2110	<i>Accounts payable</i>	\$ -	\$ -
2160	<i>Accrued wages payable</i>	-	-
2170	<i>Due to other funds</i>	-	501,206
2300	<i>Unearned revenue</i>	34,800	373,234
2000	Total Liabilities	34,800	874,440
FUND BALANCES			
	Restricted:		
3450	<i>Grants</i>	-	-
	Committed:		
3545	<i>Other</i>	-	-
3000	Total Fund Balances	-	-
4000	Total Liabilities and Fund Balances	\$ 34,800	\$ 874,440

427	429	461	480
Juvenile Crisis Intervention Program	Miscellaneous State Grants	Campus Activity Funds	PISD Education Foundation Grant
\$ -	\$ -	\$ 222,900	\$ -
-	-	-	-
70,700	85,243	-	-
-	83,300	3,542,419	57,354
-	-	107,641	-
-	-	-	-
-	-	-	-
<u>\$ 70,700</u>	<u>\$ 168,543</u>	<u>\$ 3,872,960</u>	<u>\$ 57,354</u>
\$ -	\$ -	\$ -	\$ -
4,498	700	25,682	-
187	85,243	-	-
66,015	82,600	-	57,354
<u>70,700</u>	<u>168,543</u>	<u>25,682</u>	<u>57,354</u>
-	-	-	-
-	-	3,847,278	-
-	-	<u>3,847,278</u>	<u>-</u>
<u>\$ 70,700</u>	<u>\$ 168,543</u>	<u>\$ 3,872,960</u>	<u>\$ 57,354</u>

Continued

PASADENA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES FUNDS
AUGUST 31, 2017

490

Data Control Codes		Miscellaneous Local Grants
ASSETS		
1110	<i>Cash and cash equivalents</i>	\$ -
1120	<i>Current investments</i>	-
	Receivables:	
1240	<i>Due from other governments</i>	-
1260	<i>Due from other funds</i>	157,813
1290	<i>Other receivables</i>	-
1300	<i>Inventories, at cost</i>	-
1410	<i>Prepaid items</i>	-
1000	Total Assets	\$ 157,813
LIABILITIES		
2110	<i>Accounts payable</i>	\$ -
2160	<i>Accrued wages payable</i>	6,384
2170	<i>Due to other funds</i>	-
2300	<i>Unearned revenue</i>	151,429
2000	Total Liabilities	157,813
FUND BALANCES		
	Restricted:	
3450	<i>Grants</i>	-
	Committed:	
3545	<i>Other</i>	-
3000	Total Fund Balances	-
4000	Total Liabilities and Fund Balances	\$ 157,813

498

	CASE Partnership	Total Nonmajor Funds (See Exhibit C-1)
Early College		
\$ -	\$ -	\$ 412,419
-	-	5,355,226
-	-	7,320,115
-	1,510	6,237,125
-	-	113,798
-	-	840,418
-	-	117,268
\$ -	\$ 1,510	\$ 20,396,369
\$ -	\$ -	\$ 3,420
-	-	2,817,336
-	-	4,592,893
-	1,510	844,798
-	1,510	8,258,447
-	-	8,290,644
-	-	3,847,278
-	-	12,137,922
\$ -	\$ 1,510	\$ 20,396,369

PASADENA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUES FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

		206	211
Data Control Codes		Texas Support for Homeless Education	ESEA Title I
REVENUES			
5700	Local and intermediate revenues	\$ -	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	213,270	16,148,644
5020	Total Revenues	213,270	16,148,644
EXPENDITURES			
Current:			
0011	Instruction	203,450	12,807,523
0012	Instructional resources and media services	-	9,094
0013	Curriculum and instructional staff development	8,407	403,351
0021	Instructional leadership	1,413	643,907
0023	School leadership	-	199,760
0031	Guidance, counseling, and evaluation services	-	1,795,972
0033	Health services	-	134,560
0034	Student transportation	-	-
0035	Food services	-	-
0036	Extracurricular activities	-	-
0041	General administration	-	-
0051	Plant maintenance and operations	-	618
0052	Security and monitoring services	-	2,985
0061	Community services	-	150,874
Capital Outlay:			
0081	Facilities acquisition and construction	-	-
Intergovernmental:			
0093	Payments to shared services arrangements	-	-
6030	Total Expenditures	213,270	16,148,644
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-
OTHER FINANCING SOURCES AND (USES)			
7915	Transfers in	-	-
8911	Transfers out	-	-
7080	Total Other Financing Sources and (Uses)	-	-
1200	Net Change in Fund Balances	-	-
0100	Fund Balances - Beginning	-	-
3000	Fund Balances - Ending	\$ -	\$ -

212	224	225	226	240
<u>ESEA Title I, Part C</u>	<u>IDEA - Part B, Formula</u>	<u>IDEA - Part B, Preschool</u>	<u>IDEA - Part B, High Cost Risk Pool</u>	<u>National School Breakfast and Lunch Program</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,522,637
-	-	-	-	189,764
283,572	8,811,523	129,791	317,318	29,838,229
<u>283,572</u>	<u>8,811,523</u>	<u>129,791</u>	<u>317,318</u>	<u>34,550,630</u>
154,786	4,498,093	89,941	281,718	-
-	-	-	-	-
75,937	704,961	6,397	-	-
1,223	347,055	1,374	-	-
-	-	-	-	-
51,394	2,422,283	32,079	-	-
-	-	-	-	-
-	-	-	35,600	-
-	-	-	-	33,540,861
-	-	-	-	-
-	-	-	-	-
-	-	-	-	20,781
-	-	-	-	-
232	-	-	-	-
-	-	-	-	-
-	839,131	-	-	-
<u>283,572</u>	<u>8,811,523</u>	<u>129,791</u>	<u>317,318</u>	<u>33,561,642</u>
-	-	-	-	988,988
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	988,988
-	-	-	-	6,631,901
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,620,889</u>

Continued

PASADENA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

		242	244
Data Control Codes		Summer Feeding Program	Career and Technical - Basic Grant
REVENUES			
5700	Local and intermediate revenues	\$ 753	\$ -
5800	State program revenues	-	-
5900	Federal program revenues	529,210	716,231
5020	Total Revenues	529,963	716,231
EXPENDITURES			
Current:			
0011	Instruction	-	424,859
0012	Instructional resources and media services	-	-
0013	Curriculum and instructional staff development	-	-
0021	Instructional leadership	-	11,681
0023	School leadership	-	-
0031	Guidance, counseling, and evaluation services	-	279,691
0033	Health services	-	-
0034	Student transportation	-	-
0035	Food services	288,309	-
0036	Extracurricular activities	-	-
0041	General administration	-	-
0051	Plant maintenance and operations	-	-
0052	Security and monitoring services	-	-
0061	Community services	-	-
Capital Outlay:			
0081	Facilities acquisition and construction	-	-
Intergovernmental:			
0093	Payments to shared services arrangements	-	-
6030	Total Expenditures	288,309	716,231
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	241,654	-
OTHER FINANCING SOURCES AND (USES)			
7915	Transfers in	-	-
8911	Transfers out	-	-
7080	Total Other Financing Sources and (Uses)	-	-
1200	Net Change in Fund Balances	241,654	-
0100	Fund Balances - Beginning	428,101	-
3000	Fund Balances - Ending	\$ 669,755	\$ -

255	263	265	289	397
ESEA, Title II, Part A - Training and Recruiting	Title III, Part A	Title IV, Part B - 21st Century	Miscellaneous Federal Grants	Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
1,321,363	1,595,720	3,870,824	683,926	-
<u>1,321,363</u>	<u>1,595,720</u>	<u>3,870,824</u>	<u>683,926</u>	<u>-</u>
1,321,363	1,347,020	2,049,777	237,675	-
-	-	-	-	-
-	180,064	381	-	-
-	9,361	525,291	445,346	-
-	-	1,272,135	905	-
-	57,109	-	-	-
-	-	-	-	-
-	-	482	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,166	13,389	-	-
-	-	-	-	-
-	-	9,369	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,321,363</u>	<u>1,595,720</u>	<u>3,870,824</u>	<u>683,926</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

PASADENA INDEPENDENT SCHOOL DISTRICT

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

	409	410
Data Control Codes	High School Completion and Success	State Textbook Fund
REVENUES		
5700 <i>Local and intermediate revenues</i>	\$ -	\$ -
5800 <i>State program revenues</i>	19,885	5,896,700
5900 <i>Federal program revenues</i>	-	-
5020 Total Revenues	<u>19,885</u>	<u>5,896,700</u>
EXPENDITURES		
Current:		
0011 <i>Instruction</i>	19,885	4,220,365
0012 <i>Instructional resources and media services</i>	-	76,510
0013 <i>Curriculum and instructional staff development</i>	-	-
0021 <i>Instructional leadership</i>	-	-
0023 <i>School leadership</i>	-	-
0031 <i>Guidance, counseling, and evaluation services</i>	-	-
0033 <i>Health services</i>	-	-
0034 <i>Student transportation</i>	-	-
0035 <i>Food services</i>	-	-
0036 <i>Extracurricular activities</i>	-	-
0041 <i>General administration</i>	-	-
0051 <i>Plant maintenance and operations</i>	-	1,599,825
0052 <i>Security and monitoring services</i>	-	-
0061 <i>Community services</i>	-	-
Capital Outlay:		
0081 <i>Facilities acquisition and construction</i>	-	-
Intergovernmental:		
0093 <i>Payments to shared services arrangements</i>	-	-
6030 Total Expenditures	<u>19,885</u>	<u>5,896,700</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES AND (USES)		
7915 <i>Transfers in</i>	-	-
8911 <i>Transfers out</i>	-	-
7080 Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	-	-
0100 Fund Balances - Beginning	-	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>

427	429	461	480
Juvenile Crisis Intervention Program	Miscellaneous State Grants	Campus Activity Funds	PISD Education Foundation Grant
\$ -	\$ -	\$ 5,532,004	\$ 235,740
64,580	1,435,662	-	-
-	-	-	-
<u>64,580</u>	<u>1,435,662</u>	<u>5,532,004</u>	<u>235,740</u>
57,471	1,326,025	1,133,011	235,740
-	87	50,510	-
4,685	109,550	935	-
-	-	-	-
-	-	136,868	-
-	-	76,136	-
-	-	1,254	-
-	-	-	-
-	-	450	-
-	-	3,638,568	-
2,424	-	-	-
-	-	36,679	-
-	-	19,536	-
-	-	18,416	-
-	-	85,503	-
-	-	-	-
<u>64,580</u>	<u>1,435,662</u>	<u>5,197,866</u>	<u>235,740</u>
-	-	334,138	-
-	-	45,035	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>45,035</u>	<u>-</u>
-	-	379,173	-
-	-	3,468,105	-
\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,847,278</u>	\$ <u>-</u>

Continued

PASADENA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

490

Data Control Codes		Miscellaneous Local Grants
REVENUES		
5700	<i>Local and intermediate revenues</i>	\$ 202,664
5800	<i>State program revenues</i>	-
5900	<i>Federal program revenues</i>	-
5020	Total Revenues	<u>202,664</u>
EXPENDITURES		
Current:		
0011	<i>Instruction</i>	49,708
0012	<i>Instructional resources and media services</i>	-
0013	<i>Curriculum and instructional staff development</i>	47,397
0021	<i>Instructional leadership</i>	72,782
0023	<i>School leadership</i>	4,525
0031	<i>Guidance, counseling, and evaluation services</i>	28,252
0033	<i>Health services</i>	-
0034	<i>Student transportation</i>	-
0035	<i>Food services</i>	-
0036	<i>Extracurricular activities</i>	-
0041	<i>General administration</i>	-
0051	<i>Plant maintenance and operations</i>	-
0052	<i>Security and monitoring services</i>	-
0061	<i>Community services</i>	-
Capital Outlay:		
0081	<i>Facilities acquisition and construction</i>	-
Intergovernmental:		
0093	<i>Payments to shared services arrangements</i>	-
6030	Total Expenditures	<u>202,664</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>
OTHER FINANCING SOURCES AND (USES)		
7915	<i>Transfers in</i>	-
8911	<i>Transfers out</i>	-
7080	Total Other Financing Sources and (Uses)	<u>-</u>
1200	Net Change in Fund Balances	-
0100	Fund Balances - Beginning	-
3000	Fund Balances - Ending	<u><u>\$ -</u></u>

492		498		Total Nonmajor Funds (See Exhibit C-3)	
<u>Early College</u>		<u>CASE Partnership</u>			
\$	-	\$	199,616	\$	10,693,414
	28,000		-		7,634,591
	-		145,000		64,604,621
	<u>28,000</u>		<u>344,616</u>		<u>82,932,626</u>
	17,589		294,404		30,770,403
	-		-		136,201
	9,210		1,013		1,552,288
	-		-		2,059,433
	889		934		1,616,016
	312		-		4,743,228
	-		-		135,814
	-		-		36,082
	-		-		33,829,620
	-		-		3,638,568
	-		-		2,424
	-		3,230		1,676,688
	-		-		22,521
	-		-		178,891
	-		-		85,503
	-		-		839,131
	<u>28,000</u>		<u>299,581</u>		<u>81,322,811</u>
	-		45,035		1,609,815
	-		-		45,035
	-		(45,035)		(45,035)
	-		(45,035)		-
	-		-		1,609,815
	-		-		10,528,107
\$	<u>-</u>	\$	<u>-</u>	\$	<u>12,137,922</u>

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit I-1

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

AUGUST 31, 2017

Data Control Codes		753 Employee Health Insurance	770 Workers' Compensation Fund	Total Internal Service Funds
ASSETS				
Current Assets:				
1110	Cash and cash equivalents	\$ 149,719	\$ 98,975	\$ 248,694
1120	Current investments	2,657,390	4,706,255	7,363,645
1260	Due from other funds	1,974,086	-	1,974,086
1410	Prepaid items	88,790	-	88,790
	Total Current Assets	<u>4,869,985</u>	<u>4,805,230</u>	<u>9,675,215</u>
1000	Total Assets	<u>4,869,985</u>	<u>4,805,230</u>	<u>9,675,215</u>
LIABILITIES				
Current Liabilities:				
2170	Due to other funds	-	82,429	82,429
	Total Current Liabilities	<u>-</u>	<u>82,429</u>	<u>82,429</u>
Noncurrent Liabilities:				
2123	Claims payable - due within one year	4,776,317	651,958	5,428,275
2590	Claims payable - due in more than one year	-	1,787,505	1,787,505
	Total Noncurrent Liabilities	<u>4,776,317</u>	<u>2,439,463</u>	<u>7,215,780</u>
2000	Total Liabilities	<u>4,776,317</u>	<u>2,521,892</u>	<u>7,298,209</u>
NET POSITION				
3900	Unrestricted	93,668	2,283,338	2,377,006
3000	Total Net Position	<u>\$ 93,668</u>	<u>\$ 2,283,338</u>	<u>\$ 2,377,006</u>

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit I-2

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

INTERNAL SERVICE FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Data Control Codes		753 Employee Health Insurance	770 Workers' Compensation Fund	Total Internal Service Funds
	OPERATING REVENUES			
5745	Miscellaneous revenue from local sources	\$ 2,763,530	\$ -	\$ 2,763,530
5754	Interfund services provided	45,443,906	237,892	45,681,798
5020	Total Operating Revenues	<u>48,207,436</u>	<u>237,892</u>	<u>48,445,328</u>
	OPERATING EXPENSES			
6100	Payroll costs	7,721	-	7,721
6200	Professional and contracted services	1,187,561	-	1,187,561
6300	Supplies and materials	123	-	123
6400	Claims expense, net of provision adjustment	48,558,269	1,183,489	49,741,758
6030	Total Operating Expenses	<u>49,753,674</u>	<u>1,183,489</u>	<u>50,937,163</u>
	Operating Loss	<u>(1,546,238)</u>	<u>(945,597)</u>	<u>(2,491,835)</u>
	NONOPERATING REVENUES			
7955	Investment earnings	25,196	27,152	52,348
8030	Total Nonoperating Revenues	<u>25,196</u>	<u>27,152</u>	<u>52,348</u>
1300	Change in Net Position	(1,521,042)	(918,445)	(2,439,487)
0100	Net Position - Beginning	1,614,710	3,201,783	4,816,493
3300	Net Position - Ending	<u>\$ 93,668</u>	<u>\$ 2,283,338</u>	<u>\$ 2,377,006</u>

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit I-3

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

	753 Employee Health Insurance	770 Workers' Compensation Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,763,530	\$ 237,892	\$ 3,001,422
Cash received from internal services provided	44,901,108	131,971	45,033,079
Cash payments for claims	(42,540,055)	(1,083,339)	(43,623,394)
Cash payments for administrative services	(5,735,116)	-	(5,735,116)
Net Cash Used for Operating Activities	<u>(610,533)</u>	<u>(713,476)</u>	<u>(1,324,009)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	25,196	27,152	52,348
Purchase of investments	(11,167,310)	(314,359)	(11,481,669)
Sale of investments	<u>11,657,859</u>	<u>991,925</u>	<u>12,649,784</u>
Net Cash Provided for Investing Activities	<u>515,745</u>	<u>704,718</u>	<u>1,220,463</u>
Net Decrease in Cash and Cash Equivalents	(94,788)	(8,758)	(103,546)
Cash and Cash Equivalents at Beginning of Year	<u>244,507</u>	<u>107,733</u>	<u>352,240</u>
Cash and Cash Equivalents at End of Year	\$ <u>149,719</u>	\$ <u>98,975</u>	\$ <u>248,694</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:			
Operating Loss	\$ (1,546,238)	\$ (945,597)	\$ (2,491,835)
Change in Assets and Liabilities:			
(Increase) decrease in due from other funds	(542,798)	49,542	(493,256)
Decrease in prepaid items	1,209	-	1,209
Increase in due to other funds	-	82,429	82,429
Increase in claims payable	<u>1,477,294</u>	<u>100,150</u>	<u>1,577,444</u>
Net Cash Used for Operating Activities	\$ <u>(610,533)</u>	\$ <u>(713,476)</u>	\$ <u>(1,324,009)</u>

PASADENA INDEPENDENT SCHOOL DISTRICT*Exhibit I-4**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**FIDUCIARY FUND**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017*

<u>AGENCY FUND:</u>						
Data		Beginning			Ending	
Control		Balance			Balance	
Codes		9/1/16	Additions	Deductions	8/31/17	
	ASSETS					
1110	<i>Cash and cash equivalents</i>	\$ 630,757	\$ 1,978,441	\$ 2,609,198	\$ -	
1290	<i>Other receivables</i>	13,137	1,395,992	670,167	738,962	
1000	Total Assets	<u>\$ 643,894</u>	<u>\$ 3,374,433</u>	<u>\$ 3,279,365</u>	<u>\$ 738,962</u>	
	LIABILITIES					
2110	<i>Accounts payable</i>	\$ -	\$ 2,913	\$ 2,913	\$ -	
2190	<i>Due to student groups</i>	643,894	1,457,610	1,362,542	738,962	
2000	Total Liabilities	<u>\$ 643,894</u>	<u>\$ 1,460,523</u>	<u>\$ 1,365,455</u>	<u>\$ 738,962</u>	

PASADENA INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF DELINQUENT TAXES RECEIVABLE**FOR THE FISCAL YEAR ENDED AUGUST 31, 2017*

Year Ended August 31	1	2	3
	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2008 and Prior Years	\$ Various	\$ Various	\$ Various
2009	1.070000	0.28	10,387,222,963
2010	1.070000	0.28	10,169,692,944
2011	1.070000	0.28	9,425,999,982
2012	1.070000	0.28	9,391,071,779
2013	1.070000	0.28	9,643,496,418
2014	1.070000	0.28	10,273,939,333
2015	1.070000	0.28	10,863,486,222
2016	1.070000	0.28	11,594,697,820
2017	1.070000	0.28	12,592,052,179
1000 Totals			

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 4,303,971	\$ -	\$ 124,806	\$ 13,040	\$ (72,276)	\$ 4,093,849
457,538	-	25,872	6,770	(1,739)	423,157
546,645	-	36,381	9,520	(1,047)	499,697
528,685	-	43,041	11,262	(2,859)	471,523
848,168	-	58,985	15,435	(263,790)	509,958
670,462	-	98,959	25,895	13,087	558,695
914,700	-	158,044	41,356	(39,599)	675,701
1,509,996	-	191,902	50,215	(320,402)	947,477
3,699,559	-	503,973	131,875	(1,726,526)	1,337,185
-	147,326,690	130,189,747	34,068,345	20,026,313	3,094,911
\$ 13,479,724	\$ 147,326,690	\$ 131,431,710	\$ 34,373,713	\$ 17,611,162	\$ 12,612,153

Reconciliation of Ending Balance to Exhibit C-1:

Ending Balance at 8/31/17	\$ 12,612,153
Plus: Penalty and Interest Accrued on Taxes Receivable	10,123,180
Property Taxes - Delinquent per Exhibit C-1	\$ 22,735,333

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE – BUDGET AND ACTUAL

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive
		Original	Final		(Negative)
	REVENUES				
5700	Local and intermediate revenues	\$ 5,260,000	\$ 5,390,000	\$ 4,522,637	\$ (867,363)
5800	State program revenues	205,000	205,000	189,764	(15,236)
5900	Federal program revenues	30,635,000	32,005,000	29,838,229	(2,166,771)
5020	Total Revenues	<u>36,100,000</u>	<u>37,600,000</u>	<u>34,550,630</u>	<u>(3,049,370)</u>
	EXPENDITURES				
	Current:				
0035	Food services	36,090,000	37,400,000	33,540,861	3,859,139
0051	Plant maintenance and operations	10,000	25,000	20,781	4,219
	Capital Outlay:				
0081	Facilities acquisition and construction	-	175,000	-	175,000
6030	Total Expenditures	<u>36,100,000</u>	<u>37,600,000</u>	<u>33,561,642</u>	<u>4,038,358</u>
1200	Net Change in Fund Balance	-	-	988,988	988,988
0100	Fund Balance - Beginning	<u>6,631,901</u>	<u>6,631,901</u>	<u>6,631,901</u>	-
3000	Fund Balance - Ending	\$ <u>6,631,901</u>	\$ <u>6,631,901</u>	\$ <u>7,620,889</u>	\$ <u>988,988</u>

PASADENA INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCE – BUDGET AND ACTUAL

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
	REVENUES				
5700	Local and intermediate revenues	\$ 31,100,000	\$ 31,300,000	\$ 35,538,373	\$ 4,238,373
5800	State program revenues	17,500,000	17,500,000	17,045,525	(454,475)
5020	Total Revenues	48,600,000	48,800,000	52,583,898	3,783,898
	EXPENDITURES				
	Debt Service:				
0071	Principal on long-term debt	15,235,000	15,235,000	15,235,000	-
0072	Interest on long-term debt	30,748,363	30,748,363	30,748,363	-
0073	Issuance costs and fees	2,616,637	2,616,637	18,065	2,598,572
6030	Total Expenditures	48,600,000	48,600,000	46,001,428	2,598,572
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	200,000	6,582,470	6,382,470
	OTHER FINANCING SOURCES (USES)				
8949	Tax refunds per court order	-	(200,000)	(180,959)	19,041
7080	Total Other Financing Sources (Uses)	-	(200,000)	(180,959)	19,041
1200	Net Change in Fund Balance	-	-	6,401,511	6,401,511
0100	Fund Balance - Beginning	45,200,646	45,200,646	45,200,646	-
3000	Fund Balance - Ending	\$ 45,200,646	\$ 45,200,646	\$ 51,602,157	\$ 6,401,511



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STATISTICAL SECTION

(UNAUDITED)





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Statistical Section

(Unaudited)

The statistical section of the Pasadena Independent School District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's economic condition and overall financial health. To assist financial statement users, the information contained within this section is categorized as follows:

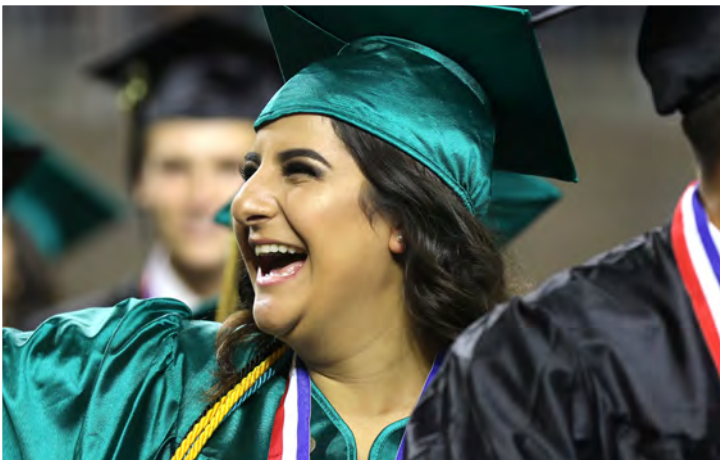
	<u>Page</u>
Financial Trends	116
These schedules contain trend information to assist users in understanding how the District's financial and position has changed over time.	
Revenue Capacity Information	126
These schedules contain information to assist users in understanding the factors affecting the District's ability to generate its own-source revenues.	
Debt Capacity Information	134
These schedules contain information to assist users in understanding and assessing the District's debt burden and its ability to issue additional debt in the future.	
Demographic and Economic Information	140
These schedules contain information to assist users in understanding the socioeconomic environment in which the District operates and to provide information that facilitates comparisons of financial statement information over time with other school districts.	
Operating Information	144
These schedules contain information intended to provide contextual information about the District's operations and resources to assist readers in using the financial statement information to understand and assess the District's economic condition.	



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FINANCIAL TRENDS





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PASADENA INDEPENDENT SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

Table 1

	2017	2016	2015 (2)	2014	2013
Primary Government					
Governmental Activities					
Net investment in capital assets	\$257,255,969	\$264,348,878	\$261,603,345	\$272,843,426	\$269,759,098
Restricted	60,713,417	53,609,363	56,355,063	56,505,747	58,428,315
Unrestricted	23,351,447	37,202,599	41,591,030	110,651,866	113,778,767
Total Primary Government Net Position	\$341,320,833	\$355,160,840	\$359,549,438	\$440,001,039	\$441,966,180

	As Restated				
	2012	2011 (1)	2009 (1)	2009 (1)	2008 (1)
Primary Government					
Governmental Activities					
Net investment in capital assets	\$249,185,456	\$236,149,687	\$248,130,421	\$248,130,421	\$244,467,631
Restricted	74,818,112	58,104,519	41,702,168	41,702,168	29,894,751
Unrestricted	101,379,409	97,852,662	87,505,837	87,505,837	95,619,248
Total Primary Government Net Position	\$425,382,977	\$392,106,868	\$377,338,426	\$377,338,426	\$369,981,630

(1) Fiscal years have not been restated for GASB 65 regarding expensing of bond issuance costs.

(2) The district Adopted Governmental Accounting Standards Board Statement No. 68 for the year ended August 31, 2015, recognizing the District's share of net pension liability for the Texas Teachers' Retirement System. Prior periods have not been restated.

PASADENA INDEPENDENT SCHOOL DISTRICT
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

Table 2
Page 1 of 2

	2017	2016	2015	2014	2013
Expenses - Governmental Activities:					
Instruction	\$360,129,894	\$354,205,178	\$321,831,212	\$325,153,833	\$281,082,994
Instructional Resources and Media Services	7,646,925	7,659,442	6,972,289	6,465,420	6,094,393
Curriculum and Staff Development	10,143,208	9,649,278	9,497,568	8,820,253	8,561,707
Instructional Leadership	8,982,885	8,145,039	7,399,776	6,863,218	5,890,317
School Leadership	41,386,440	40,624,435	37,633,013	35,211,293	32,962,634
Guidance, Counseling, and Evaluation Services	27,047,028	25,791,822	22,937,986	21,376,942	19,879,822
Social Work Services	309,340	316,556	299,521	264,439	228,199
Health Services	5,391,271	5,318,208	4,943,441	4,708,615	4,421,353
Student Transportation	16,051,727	16,713,137	17,021,162	15,297,552	13,585,958
Food Service	33,725,141	34,678,478	33,761,115	31,073,888	29,204,609
Extracurricular Activities	11,537,877	11,800,578	9,842,788	9,186,672	7,749,509
General Administration	11,983,289	12,625,764	12,002,308	10,951,819	10,296,752
Plant Maintenance and Operations	50,071,209	53,594,631	51,212,353	46,164,145	47,394,544
Security and Monitoring Services	5,144,453	5,322,890	5,204,081	5,041,819	4,605,872
Data Processing Services	7,211,050	9,110,464	6,484,373	6,267,263	5,792,598
Community Services	449,139	330,926	228,640	255,974	269,302
Interest on Long-term Debt	28,362,105	28,880,942	27,139,258	26,158,665	23,960,045
Bond Issuance Costs and Fees	18,065	19,884	1,684,522	144,516	1,390,501
Facilities Repair and Maintenance	56,102	58,547	103,205	65,274	68,173
Payments Related to Shared Services Arrangements	839,131	-	-	-	-
Payments to Juvenile Justice Alternative Education Programs	105,950	93,782	63,843	54,885	67,570
Other Intergovernmental Charges	1,202,272	1,162,022	1,131,892	1,042,995	1,023,578
Total Governmental Activities	627,794,501	626,102,003	577,394,346	560,569,480	504,530,430
Program Revenues - Governmental Activities:					
Charges for Services:					
Instruction	1,661,717	1,929,586	1,584,397	489,246	5,494,559
Extracurricular Activities	3,508,113	3,207,279	2,621,721	4,314,371	1,790,154
Food Service	4,455,876	4,689,417	4,524,601	3,294,157	4,138,638
Plant Maintenance and Operations	246,391	278,805	218,818	185,535	868,469
Other Activities	233,048	183,212	265,082	-	2,005,771
Operating Grants and Contributions	119,058,345	124,107,651	109,565,356	106,967,866	95,170,222
Total Governmental Activities Program Revenues	129,163,490	134,395,950	118,779,975	115,251,175	109,467,813
Net (Expense)Revenue					
Governmental Activities	(498,631,011)	(491,706,053)	(458,614,371)	(445,318,305)	(395,062,617)
General Revenue - Governmental Activities:					
Property Taxes, Levied for General Purposes	130,927,001	124,327,647	116,596,190	112,210,474	104,662,062
Property Taxes, Levied for Debt Service	34,202,242	32,709,809	30,413,560	29,153,316	27,013,750
Grants and Contributions Not restricted to Specific Programs	310,199,845	319,831,829	305,159,815	293,529,741	278,564,818
Investment Earnings	2,868,413	2,024,187	1,369,950	564,220	493,587
Miscellaneous	6,593,503	8,423,983	8,684,632	7,895,413	911,603
Total Governmental Activities General Revenues	484,791,004	487,317,455	462,224,147	443,353,164	411,645,820
Change in Net Position	\$(13,840,007)	\$ (4,388,598)	\$ 3,609,776	\$ (1,965,141)	\$ 16,583,203

Source: District Financial Statements

PASADENA INDEPENDENT SCHOOL DISTRICT
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

Table 2
Page 2 of 2

	2012 Restated	2011	2010	2009	2008
Expenses- Governmental Activities:					
Instruction	\$279,481,563	\$281,367,024	\$285,659,477	\$269,777,425	\$255,018,780
Instructional Resources and Media Services	6,151,309	6,387,688	6,200,687	6,425,258	6,986,698
Curriculum and Staff Development	7,239,584	7,621,886	9,198,680	8,771,467	8,622,417
Instructional Leadership	5,187,804	6,251,276	5,253,072	4,728,369	4,835,423
School Leadership	31,598,938	32,895,017	31,544,642	30,815,053	28,232,876
Guidance, Counseling, and Evaluation Services	18,933,163	19,634,366	19,262,473	15,665,185	13,833,474
Social Work Services	220,407	233,151	174,157	201,238	231,556
Health Services	4,349,259	4,643,035	4,552,629	4,503,752	4,170,425
Student Transportation	12,026,790	12,559,177	11,818,604	10,463,475	9,913,716
Food Service	28,081,754	27,838,575	26,521,224	24,052,049	23,508,375
Extracurricular Activities	7,381,304	6,757,699	7,089,138	6,580,363	6,480,643
General Administration	10,170,769	10,361,767	9,765,102	9,298,117	10,828,334
Plant Maintenance and Operations	46,124,950	47,322,211	49,788,328	55,420,189	44,512,223
Security and Monitoring Services	4,457,814	4,907,271	4,634,630	4,533,619	4,025,772
Data Processing Services	5,687,778	4,956,293	6,268,541	6,974,071	4,613,734
Community Services	185,536	293,667	499,244	738,188	616,887
Interest on Long-term Debt	21,422,919	17,443,988	16,491,626	18,340,469	20,275,039
Bond Issuance Costs and Fees	920,470	784,974	658,073	-	468,774
Facilities Repair and Maintenance	37,456	-	-	25,613	64,142
Payments Related to Shared Services Arrangements	-	-	-	-	-
Payments to Juvenile Justice Alternative Education Program	63,133	355,238	340,200	53,189	243,224
Other Intergovernmental Charges	1,045,847	1,086,952	1,136,522	876,443	-
Total Governmental Activities Expenses	490,768,547	493,701,255	496,857,049	478,243,532	447,482,512
Program Revenues - Governmental Activities:					
Charges for Services:					
Instruction	4,785,925	4,909,981	6,066,029	5,636,022	1,742,963
Extracurricular Activities	1,755,287	1,717,844	1,343,620	1,256,310	1,054,094
Food Service	4,239,806	4,645,023	5,187,622	5,437,099	5,841,959
Plant Maintenance and Operations	722,791	819,306	1,043,264	1,033,238	160,669
Other Activities	1,772,099	1,886,190	2,053,230	1,784,347	654,502
Operating Grants and Contributions	96,450,142	122,259,465	124,926,141	19,281,415	15,501,591
Total Governmental Activities Program Revenues	109,726,050	136,237,807	140,619,912	94,428,491	84,755,584
Net (Expense)Revenue					
Governmental Activities	(381,042,497)	(357,463,448)	(356,237,137)	(383,815,041)	(362,726,928)
General Revenue - Governmental Activities:					
Property Taxes, Levied for General Purposes	101,836,548	101,307,354	109,348,136	110,409,026	110,187,344
Property Taxes, Levied for Debt Service	26,642,669	26,412,793	28,932,019	29,628,701	27,561,530
Grants and Contributions Not restricted to Specific Programs	257,607,627	239,093,022	242,339,969	237,985,859	241,351,170
Investment Earnings	293,962	1,325,113	4,276,791	1,843,266	8,005,261
Miscellaneous	786,800	1,940,617	644,213	11,304,985	3,660,542
Total Governmental Activities General Revenues	387,167,606	370,078,899	385,541,128	391,171,837	390,765,847
Change in Net Position	\$ 6,125,109	\$ 12,615,451	\$ 29,303,991	\$ 7,356,796	\$ 28,038,919

Source: District Financial Statements



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PASADENA INDEPENDENT SCHOOL DISTRICT
FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Table 3

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund					
Nondisposable	\$6,617,970	\$978,634	\$1,044,438	\$1,020,153	\$1,105,659
Committed	19,275,000	21,600,000	27,850,000	11,334,110	42,454,094
Assigned	7,496,779	16,620,980	9,683,339	16,320,015	3,200,920
Unassigned	62,393,778	63,593,006	59,255,564	55,059,909	50,062,993
Total General Fund	<u>\$95,783,527</u>	<u>\$102,792,620</u>	<u>\$97,833,341</u>	<u>\$83,734,187</u>	<u>\$96,823,666</u>
All Other Governmental Funds					
Restricted for:					
Federal and state programs	8,290,644	7,060,002	6,454,425	7,844,719	10,002,453
Debt service	51,602,157	45,200,646	49,557,927	47,938,360	44,411,225
Construction	45,881,164	140,601,788	174,501,822	78,878,746	182,202,597
Committed	3,847,278	3,468,105	3,285,163	3,183,811	2,780,877
Total All Other Governmental Funds	<u>\$109,621,243</u>	<u>\$196,330,541</u>	<u>\$233,799,337</u>	<u>\$137,845,636</u>	<u>\$239,397,152</u>
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund					
Nondisposable	\$7,122,607	\$6,542,969	\$4,291,977	\$5,467,634	\$7,020,416
Committed	28,525,000	30,000,000	13,800,000	5,557,095	7,730,565
Assigned	7,322,483	8,136,653	5,745,235	2,903,171	7,371,600
Unassigned	47,802,710	48,174,594	63,428,850	58,288,135	53,863,729
Total General Fund	<u>\$90,772,800</u>	<u>\$92,854,216</u>	<u>\$87,266,062</u>	<u>\$72,216,035</u>	<u>\$75,986,310</u>
All Other Governmental Funds					
Nondisposable		\$1,347,318	\$939,266	\$1,944,013	\$1,428,362
Restricted for:					
Federal and state programs	8,356,406	5,205,305	6,577,722	4,301,181	2,043,947
Debt service	61,963,266	52,594,921	44,834,851	35,129,164	24,254,765
Construction	73,829,010	355,128	5,283,904	14,471,098	48,140,328
Committed	2,577,159	2,125,756	247,731	224,063	437,823
Total All Other Governmental Funds	<u>\$146,725,841</u>	<u>\$61,628,428</u>	<u>\$57,883,474</u>	<u>\$56,069,519</u>	<u>\$76,305,225</u>

Source: District Financial Statements

Note: 2007 was restated due to prior period adjustment in 2008 USDA commodities

PASADENA INDEPENDENT SCHOOL DISTRICT
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN YEARS

Table 4
Page 1 of 2

	2017	2016	2015	2014	2013
Revenues					
Local and Intermediate Revenues	\$ 188,361,439	\$ 179,480,336	\$ 169,398,583	\$ 158,078,975	\$ 148,488,211
State Program Revenues	347,413,115	358,808,557	345,388,744	327,493,055	297,008,916
Federal Program Revenues	70,886,398	73,586,963	69,402,718	72,111,900	76,598,991
Total Revenues	<u>606,660,952</u>	<u>611,875,856</u>	<u>584,190,045</u>	<u>557,683,930</u>	<u>522,096,118</u>
Expenditures					
Current:					
Instruction	331,626,355	321,741,170	302,719,650	290,261,005	268,185,484
Instructional Resources and Media Services	7,099,448	7,059,654	6,569,559	6,107,560	5,739,563
Curriculum and Staff Development	9,302,477	8,925,416	9,032,214	8,415,773	8,178,297
Instructional Leadership	8,150,138	7,498,604	7,056,372	6,557,767	5,623,402
School Leadership	38,199,906	37,354,937	35,454,217	33,344,064	31,287,970
Guidance, Counseling, and Evaluation Services	24,464,681	23,679,841	22,005,303	20,591,835	19,192,795
Social Work Services	287,453	291,952	281,774	250,224	219,434
Health Services	4,966,423	4,897,165	4,653,708	4,453,897	4,167,199
Student Transportation	15,049,052	15,401,367	15,796,887	17,462,868	12,870,731
Food Services	33,829,620	32,924,067	33,879,493	34,021,593	29,790,739
Extracurricular Activities	11,008,967	11,059,681	9,463,566	8,819,775	7,423,784
General Administration	11,099,916	11,731,679	11,273,322	10,382,520	9,702,224
Plant Maintenance and Operations	46,962,700	50,496,826	47,980,999	44,133,209	45,135,772
Security and Monitoring Services	5,083,764	5,114,295	4,866,578	5,033,992	4,633,454
Data Processing Services	6,916,037	8,833,256	6,137,993	6,332,759	5,889,444
Community Services	434,303	310,292	265,100	285,057	267,942
Debt Service:					
Principal on Long-term Debt	15,235,000	24,790,000	17,220,000	16,465,000	31,130,000
Interest on Long-term Debt	30,748,363	31,286,022	28,964,382	27,583,613	26,937,545
Bond Issuance Costs and Fees	18,065	19,884	1,684,522	144,516	1,390,501
Capital Outlay:					
Facilities Acquisition and Construction	97,877,863	38,213,916	78,871,404	130,337,442	78,460,508
Intergovernmental:					
Payments to Shared Services Arrangements	839,131				
Payments to Juvenile Justice Alternative Education Program	105,950	93,782	63,843	54,885	67,570
Other Intergovernmental Charges	1,202,272	1,162,022	1,131,892	1,042,995	1,023,578
Total Expenditures	<u>700,507,884</u>	<u>642,885,828</u>	<u>645,372,778</u>	<u>672,082,349</u>	<u>597,317,936</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(93,846,932)</u>	<u>(31,009,972)</u>	<u>(61,182,733)</u>	<u>(114,398,419)</u>	<u>(75,221,818)</u>
Other Financing Sources (Uses)					
Transfers In	45,035	-	22,369,435	22,117,946	9,550,670
Transfers Out	(45,035)	-	(26,369,435)	(22,117,946)	(9,550,670)
Bonds Issued	-	-	159,435,000	-	173,690,000
Issuance of Refunding Bonds	-	-	50,920,000	6,980,000	52,670,000
Premium or Discount on Issuance of Bonds	-	-	23,809,115	-	35,374,215
Payments to Refunded Bonds Escrow Agent	-	-	(57,624,114)	(7,012,847)	(86,832,834)
Prior Year Tax Refunds Per Court Order	(872,514)	(1,499,545)	(1,304,413)	(891,639)	(957,386)
Extraordinary Item - FEMA Refund	-	-	-	(438,806)	-
Sale of Real and Personal Property	1,001,055	-	-	1,120,716	-
Total Other Financing Sources (Uses)	<u>128,541</u>	<u>(1,499,545)</u>	<u>171,235,588</u>	<u>(242,576)</u>	<u>173,943,995</u>
Net Change in Fund Balances	<u>\$ (93,718,391)</u>	<u>\$ (32,509,517)</u>	<u>\$ 110,052,855</u>	<u>\$ (114,640,995)</u>	<u>\$ 98,722,177</u>
Debt Service as a Percentage of					
Noncapital Expenditures	7.67%	9.31%	8.47%	8.26%	11.25%

Note: Debt service as a percentage of noncapital expenditures is determined by dividing debt service expenditures by total expenditures less facilities acquisition/construction expenditures and other capital asset (unit price over \$5,000).

PASADENA INDEPENDENT SCHOOL DISTRICT
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN YEARS

Table 4
Page 2 of 2

	2012	2011	2010	2009	2008
Revenues					
Local and Intermediate Revenues	\$ 143,082,015	\$ 146,068,919	\$ 155,954,806	\$ 170,547,037	\$ 154,491,245
State Program Revenues	278,055,597	262,447,707	266,439,689	261,269,808	263,605,393
Federal Program Revenues	75,990,919	98,851,957	100,603,600	55,997,526	47,735,924
Total Revenues	<u>497,128,531</u>	<u>507,368,583</u>	<u>522,998,095</u>	<u>487,814,371</u>	<u>465,832,562</u>
Expenditures					
Current:					
Instruction	268,462,252	266,818,898	268,972,744	254,099,689	240,518,365
Instructional Resources and Media Services	5,844,315	6,005,730	5,789,521	6,091,494	6,652,377
Curriculum and Staff Development	6,922,325	7,274,457	8,827,519	8,474,410	8,309,997
Instructional Leadership	4,972,397	5,962,798	4,962,313	4,568,499	4,638,119
School Leadership	30,181,900	30,787,773	29,309,653	28,817,504	26,477,045
Guidance, Counseling, and Evaluation Services	18,443,513	18,734,641	18,494,427	15,004,113	13,186,877
Social Work Services	213,290	222,562	161,565	192,351	221,236
Health Services	4,127,557	4,378,401	4,232,635	4,272,088	3,932,121
Student Transportation	11,489,544	13,541,964	11,872,087	11,986,021	9,915,249
Food Services	28,360,339	28,647,695	27,736,010	24,479,574	23,421,797
Extracurricular Activities	7,050,975	6,404,302	6,642,235	6,323,362	6,137,341
General Administration	9,658,098	9,763,042	9,108,047	8,815,862	8,904,018
Plant Maintenance and Operations	43,888,815	44,534,269	46,265,599	52,605,462	42,146,666
Security and Monitoring Services	4,416,566	4,770,890	4,398,628	4,330,813	3,916,073
Data Processing Services	5,423,732	5,682,054	6,965,059	6,727,619	5,168,918
Community Services	185,244	292,824	483,743	707,997	585,174
Debt Service:					
Principal on Long-term Debt	13,490,000	16,515,000	18,075,000	16,184,293	13,909,190
Interest on Long-term Debt	17,109,658	17,660,881	16,578,214	20,322,919	25,200,557
Bond Issuance Costs and Fees	2,328,308	784,435	1,201,050	1,060,869	920,030
Capital Outlay:					
Facilities Acquisition and Construction	27,516,938	7,810,669	15,118,769	35,826,326	94,866,825
Intergovernmental:					
Payments to Shared Services Arrangements	-	-	-	-	-
Payments to Juvenile Justice Alternative Education Program	63,133	355,238	340,200	53,189	243,244
Other Intergovernmental Charges	1,045,847	1,086,952	1,136,522	876,443	1,319,175
Total Expenditures	<u>511,194,746</u>	<u>498,035,475</u>	<u>506,671,540</u>	<u>511,820,897</u>	<u>540,590,394</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,066,215)</u>	<u>9,333,108</u>	<u>16,326,555</u>	<u>(24,006,526)</u>	<u>(74,757,832)</u>
Other Financing Sources (Uses)					
Transfers In	-	-	500,000	-	-
Transfers Out	-	-	(500,000)	-	-
Bonds Issued	89,805,000	-	-	-	42,930,000
Issuance of Refunding Bonds	43,045,000	-	56,385,000	-	-
Premium or Discount on Issuance of Bonds	14,715,150	-	4,999,667	-	3,350,465
Payments to Refunded Bonds Escrow Agent	(50,482,938)	-	(60,849,161)	-	(46,599,970)
Prior Year Tax Refunds Per Court Order	-	-	-	-	(162,867)
Extraordinary Item net of FEMA reimbursement	-	-	-	-	-
Sale of Real and Personal Property	-	-	1,921	545	9,600
Total Other Financing Sources (Uses)	<u>97,082,212</u>	<u>-</u>	<u>537,427</u>	<u>545</u>	<u>(472,772)</u>
Net Change in Fund Balances	<u>\$ 83,015,997</u>	<u>\$ 9,333,108</u>	<u>\$ 16,863,982</u>	<u>\$ (24,005,981)</u>	<u>\$ (75,230,604)</u>
Debt Service as a Percentage of Noncapital Expenditures	6.35%	7.04%	7.11%	7.40%	8.40%

Note: Debt service as a percentage of noncapital expenditures is determined by dividing debt service expenditures by total expenditures less facilities acquisition/construction expenditures and other capital asset (unit price over \$5,000).



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REVENUE CAPACITY





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PASADENA INDEPENDENT SCHOOL DISTRICT
GOVERNMENTAL FUNDS REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Table 5

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Local Sources:					
Property tax	\$ 168,841,794	\$ 157,037,456	\$ 149,214,870	\$ 140,009,046	\$ 131,489,515
Other	19,519,645	22,442,880	20,183,713	18,069,929	16,998,696
State sources	347,413,115	358,808,557	345,388,744	327,493,055	297,008,916
Federal sources	<u>70,886,398</u>	<u>73,586,963</u>	<u>69,402,718</u>	<u>72,111,900</u>	<u>76,598,991</u>
Total	<u><u>\$ 606,660,952</u></u>	<u><u>\$ 611,875,856</u></u>	<u><u>\$ 584,190,045</u></u>	<u><u>\$ 557,683,930</u></u>	<u><u>\$ 522,096,118</u></u>
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Local Sources:					
Property tax	\$ 128,587,098	\$ 128,494,153	\$ 135,465,700	\$ 142,461,284	\$ 131,668,470
Other	14,494,917	17,574,766	20,489,106	28,085,753	22,822,775
State sources	278,055,597	262,447,707	266,439,689	261,269,808	263,605,393
Federal sources	<u>75,990,919</u>	<u>98,851,957</u>	<u>100,603,600</u>	<u>55,997,526</u>	<u>47,735,924</u>
Total	<u><u>\$ 497,128,531</u></u>	<u><u>\$ 507,368,583</u></u>	<u><u>\$ 522,998,095</u></u>	<u><u>\$ 487,814,371</u></u>	<u><u>\$ 465,832,562</u></u>

Source: District Financial Statements and Notes to the Basic Financial Statements

PASADENA INDEPENDENT SCHOOL DISTRICT
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Table 6

Fiscal Year Ended	Residential Property Value	Commercial Property Value	Personal Property Value	Total Actual Value	Exemptions	Taxable Assessed Value	Tax Rates
8/31/2017	\$ 7,201,040,235	\$ 7,266,169,850	\$ 1,436,819,513	\$ 15,904,029,598	\$ 3,311,977,419	\$ 12,592,052,179	\$ 1.35
8/31/2016	6,498,176,002	7,099,247,574	1,401,864,088	14,999,287,664	3,404,589,844	11,594,697,820	\$ 1.35
8/31/2015	5,935,227,921	6,698,825,873	1,492,753,256	14,126,807,050	3,263,320,828	10,863,486,222	\$ 1.35
8/31/2014	5,656,695,787	6,768,502,075	1,219,758,476	13,644,956,338	3,371,017,005	10,273,939,333	\$ 1.35
8/31/2013	5,666,046,003	6,217,743,404	1,135,905,080	13,019,694,487	3,376,198,069	9,643,496,418	\$ 1.35
8/31/2012	5,849,352,590	5,862,935,029	1,106,758,541	12,819,046,160	3,427,974,381	9,391,071,779	\$ 1.35
8/31/2011	5,956,692,078	5,655,133,246	1,097,835,086	12,709,660,410	3,283,660,428	9,425,999,982	\$ 1.35
8/31/2010	6,027,563,231	5,612,644,828	1,088,998,897	12,729,206,956	2,559,514,012	10,169,692,944	\$ 1.35
8/31/2009	6,244,873,470	4,928,126,256	1,078,352,022	12,251,351,748	1,864,128,785	10,387,222,963	\$ 1.35
8/31/2008	6,030,474,894	4,266,152,487	991,575,776	11,288,203,157	2,762,199,836	8,526,003,321	\$ 1.35

Source: District records and the Harris County Appraisal District

PASADENA INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX AMOUNT - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS

Table 7

	2017	2016	2015	2014	2013
Pasadena ISD	1.3500	1.3500	1.3500	1.3500	1.3500
Clear Brook City MUD	0.6700	0.6700	0.6700	0.6700	0.6700
Clear Lake City Water Authority	0.2300	0.2700	0.2800	0.2800	0.2800
Harris-Brazoria Counties MUD 509	0.8200	0.8200	0.8500	-	-
Harris County	0.4180	0.4192	0.4173	0.4146	0.4002
Harris County Department of Education	0.0052	0.0054	0.0060	0.0064	0.0066
Harris County Flood Control District	0.0283	0.0273	0.0274	0.0283	0.0281
Harris County Hospital District	0.1711	0.1700	0.1700	0.1700	-
Harris County MUD #381	0.7000	0.7000	0.7400	0.7800	0.7800
Harris County MUD #382	0.6300	0.6300	0.6700	0.6800	0.6900
Harris County MUD #410	0.6300	0.6300	0.6900	0.7500	0.7500
Kirkmont MUD	0.5350	0.5350	0.5620	0.5690	0.5400
Houston, City of	0.5842	0.6011	0.6311	0.6387	0.6387
Pasadena, City of	0.5754	0.5754	0.5769	0.5916	0.5916
Pearland, City of	0.7053	0.7053	0.7121	0.7051	0.7051
Port of Houston Authority	0.0126	0.0134	0.0153	0.0172	0.0195
Sagemeadow UD	0.5000	0.5000	0.5200	0.5200	0.4900
San Jacinto CCD	0.1833	0.1758	0.1856	0.1856	0.1856
South Houston, City of	0.6433	0.6995	0.6445	0.6699	0.7082
TOTALS	9.3917	9.4974	9.7182	9.0262	8.8336
	2012	2011	2010	2009	2008
Pasadena ISD	1.3500	1.3500	1.3500	1.3500	1.3500
Clear Brook City MUD	0.6700	0.6700	0.6700	0.6700	0.6900
Clear Lake City Water Authority	0.2800	0.2800	0.2800	0.2800	0.2800
Harris-Brazoria Counties MUD 509	-	-	-	-	-
Harris County	0.3912	0.3881	0.3922	0.3892	0.3924
Harris County Department of Education	0.0066	0.0066	0.0061	0.0058	0.0059
Harris County Flood Control District	0.0281	0.0293	0.0292	0.0309	0.0311
Harris County Hospital District	-	-	-	-	-
Harris County MUD #381	0.7800	0.7800	0.7800	0.7800	0.7800
Harris County MUD #382	0.6900	0.6900	0.6900	0.6900	0.6900
Harris County MUD #410	0.7200	0.7200	0.7200	0.7200	0.7200
Kirkmont MUD	0.5350	0.4670	0.4670	0.4670	0.4670
Houston, City of	0.6387	0.6387	0.6387	0.6438	0.6450
Pasadena, City of	0.5916	0.5916	0.5620	0.5620	0.5670
Pearland, City of	0.6851	0.6651	0.6526	0.6526	0.6526
Port of Houston Authority	0.0186	0.0205	0.0164	0.0177	0.0144
Sagemeadow UD	0.3890	0.3790	0.3650	0.3650	0.3560
San Jacinto CCD	0.1856	0.1708	0.1708	0.1634	0.1454
South Houston, City of	0.6875	0.6731	0.6784	0.6784	0.6770
TOTALS	8.6469	8.5198	8.4684	8.4659	8.4637

Source: Harris County Tax Assessor-Collector

<https://www.hctax.net/Property/JurisdictionTaxRates>

(a) Harris County Toll Road Bonds are considered self-supporting and are not included in the amount shown for Harris County.

PASADENA INDEPENDENT SCHOOL DISTRICT
PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS PRIOR

Table 8

	Tax Year 2017			Tax Year 2008**		
	Assessed Value (1)	Rank	Percentage of Total Assessed Value (2)	Assessed Value (1)	Rank	Percentage of Total Assessed Value (3)
Houston Refining	\$332,058,214	1	2.64%			-
Enterprise Crude Pipeline	284,021,724	2	2.26%			-
Centerpoint Energy	219,324,196	3	1.74%	213,811,935	2	2.51%
Pasadena Refining System Inc	166,272,570	4	1.32%	61,218,483	6	0.72%
Channel Energy Center LP	137,543,903	5	1.09%			
PRSI Trading	103,573,711	6	0.82%			
GATX Terminals Corp	78,326,045	7	0.62%	80,978,833	4	0.95%
Valero Energy Corp	77,484,899	8	0.62%			
KIR Pasadena LP	75,703,298	9	0.60%	56,220,522	7	0.66%
WalMart	58,137,588	10	0.46%	78,678,713	5	0.92%
Lyondell Basell Ind	-		-	925,292,696	1	10.85%
CalPine Const. Fin. Co. LP	-		-	156,790,130	3	1.84%
Southwestern Bell	-		-	51,740,187	8	0.61%
Air Products Inc				50,866,584	9	0.60%
Hi-Lo Auto Supply	-		-	43,799,825	10	0.51%
TOTALS	\$1,532,446,148		12.17%	\$1,719,397,908		20.17%

Source: District records.

(1) Assessed (taxable) value equals appraised value after exemptions.

(2) Total assessed value-current year (Table 6): \$ 12,592,052,179

(3) Total assessed value-ten years ago (Table 6): \$ 8,526,003,321

PASADENA INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

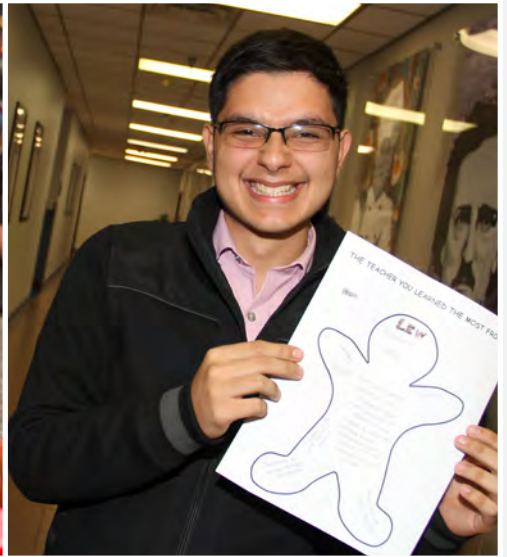
Table 9

Fiscal Year Ended	Adjusted Tax Levy	Collected Within the Fiscal Year of the Levy			Total Collections to Date	
		Taxes Collected	Percent of Adjusted Tax Levy	Collections in Subsequent Years	Taxes Collected	Collected as Percent of Current Tax Levy
8/31/2017	\$ 169,992,704	\$ 164,258,092	96.6 %	\$ -	\$ 164,258,092	96.6 %
8/31/2016	156,528,421	152,672,348	97.5	635,848	153,308,196	97.9
8/31/2015	146,336,662	143,824,978	98.3	980,134	144,805,112	99.0
8/31/2014	138,658,582	135,830,660	98.0	1,283,408	137,114,068	98.9
8/31/2013	130,200,288	127,592,900	98.0	960,019	128,552,919	98.7
8/31/2012	126,515,679	123,551,583	97.7	1,203,058	124,754,641	98.6
8/31/2011	127,248,140	123,912,114	97.4	2,443,594	126,355,708	99.3
8/31/2010	137,289,807	130,901,636	95.3	2,679,278	133,580,914	97.3
8/31/2009	140,225,770	136,528,257	97.4	2,534,077	139,062,334	99.2
8/31/2008	128,380,069	125,189,125	97.5	2,901,758	128,090,883	99.8

Source: District records



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DEBT CAPACITY





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PASADENA INDEPENDENT SCHOOL DISTRICT
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Table 10

Fiscal Year Ended	<u>Governmental Activities</u>		Total Primary Government	Ratio of Debt to Personal Income (1)	Net Bonded Debt per Capita (2)
	General Obligation Bonds (3)	Notes Payable			
8/31/2017	\$ 754,910,583	\$ -	\$ 754,910,583	2.30%	\$ 2,748
8/31/2016	773,880,747	-	773,880,747	2.94%	2,916
8/31/2015	802,405,911	-	802,405,911	3.06%	3,089
8/31/2014	642,359,180	-	642,359,180	2.01%	2,520
8/31/2013	661,471,965	195,000	661,666,965	2.13%	2,674
8/31/2012	503,747,381	185,000	503,932,381	1.67%	2,075
8/31/2011	420,461,615	290,000	420,751,615	1.39%	1,723
8/31/2010	437,107,814	280,000	437,387,814	1.41%	1,803
8/31/2009	454,645,264	1,190,000	455,835,264	1.59%	1,744
8/31/2008	472,322,034	1,150,000	473,472,034	1.77%	1,854

Source: District Financial Statements

(1) Personal Income from Table 13 median household income x residential units as a percent of Total Primary Government

(2) Total Primary Government/Total population from Table 13

(3) Details regarding the District's outstanding debt, net of premiums, discounts and adjustments may be found in the Notes to the Financial Statements.

PASADENA INDEPENDENT SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Table 11

Fiscal Year Ended	General Bonded Debt (1)	Less Amounts Available in Debt Service Fund (4)	Net Bonded Debt	Ratio of Net Bonded Debt to Total Actual Property Value (2)	Net Bonded Debt per Student (3)
8/31/2017	\$ 754,910,583	\$ 51,602,157	\$ 703,308,426	4.42%	\$ 13,596
8/31/2016	773,880,747	45,200,646	728,680,101	4.86%	14,083
8/31/2015	802,405,911	49,557,927	752,847,984	5.33%	14,647
8/31/2014	642,359,180	47,938,360	594,420,820	4.36%	11,782
8/31/2013	661,471,965	44,411,225	617,060,740	4.74%	12,461
8/31/2012	503,747,381	61,963,266	441,784,115	3.45%	9,009
8/31/2011	420,461,615	52,594,921	367,866,694	2.89%	7,610
8/31/2010	437,107,814	44,834,851	392,272,963	3.08%	8,140
8/31/2009	454,645,264	35,129,164	419,516,100	3.42%	8,821
8/31/2008	472,322,034	24,254,766	448,067,268	3.97%	9,543

Source of data - District records

- (1) Details regarding the District's outstanding debt, net of premiums, discounts and adjustments may be found in the Notes to the Financial Statements which includes general obligation bonds
- (2) See Table 6 for total assessed value data.
- (3) See Table 16 for average daily attendance data.
- (4) This is the amount restricted for debt service payments on general bonded debt.

PASADENA INDEPENDENT SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AUGUST 31, 2017

Table 12

<u>Taxing Authority</u>	<u>Debt Outstanding</u>	<u>Percent Overlapping (1)</u>	<u>Amount Applicable to School District</u>
<u>Overlapping:</u>			
Governmental Subdivisions			
Harris County	\$2,167,734,361	2.93%	\$63,514,617
Harris County Department of Education	6,780,000	2.93%	198,654
Port of Houston Authority	638,829,397	2.93%	18,717,701
San Jacinto Community College District	394,444,977	25.04%	98,769,022
Cities			
Houston, City of	2,731,150,000	2.88%	78,657,120
Pasadena, City of	151,550,000	61.39%	93,036,545
Pearland, City of	328,005,000	0.24%	787,212
South Houston, City of	1,635,000	100.00%	1,635,000
Special Districts			
Clear Brook City MUD	59,095,000	44.92%	26,545,474
Clear Lake City Water Authority	75,835,000	1.42%	1,076,857
Harris-Brazoria Counties MUD No. 509	8,500,000	73.78%	6,271,300
Harris County Flood Control District	83,075,000	2.93%	2,434,098
Harris County Hospital District	61,595,000	2.93%	1,804,734
Harris County MUD #381	9,025,000	100.00%	9,025,000
Harris County MUD #382	12,345,000	99.22%	12,248,709
Harris County MUD #410	13,040,000	81.57%	10,636,728
Kirkmont MUD	4,145,000	100.00%	4,145,000
Sagemeadow Utility District	9,880,000	100.00%	9,880,000
Total Overlapping Debt			\$439,383,771
<u>Direct:</u>			
Pasadena Independent School District	\$754,910,583	100.00%	\$754,910,583
Total Direct and Overlapping Debt			<u>\$1,194,294,354</u>
Total Direct and Overlapping Debt % of A.V.		7.51%	
Total Direct and Overlapping Debt per Capita		\$4,347	

Source: Municipal Advisory Council

Includes the Bonds and excludes the Refunded Bonds

* Includes Issuance Premiums of \$

(a) Harris County Toll Road bonds are considered self-supporting and are not included in the amount shown for Harris County

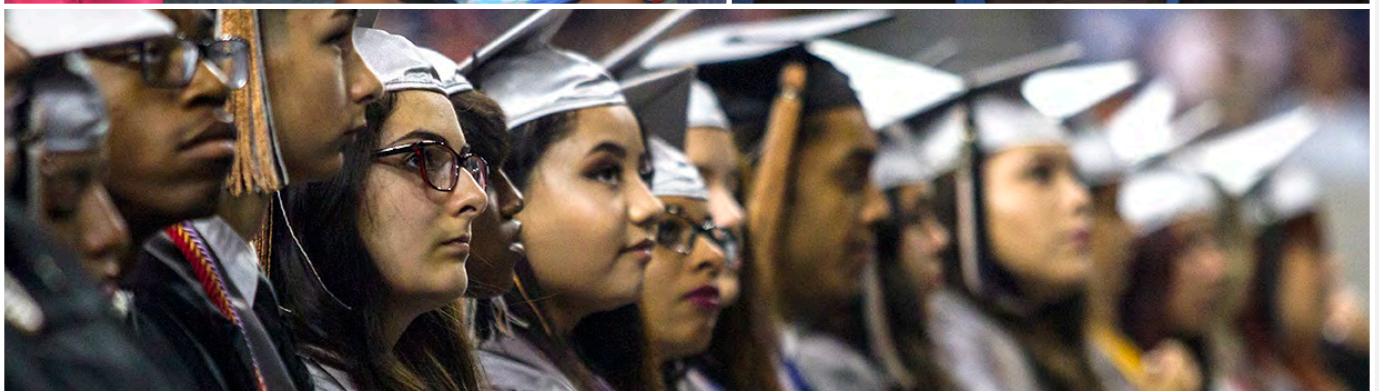
Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. The percentage of overlapping debt is estimated using actual taxable property values. Percentages were estimated by determining the portion of the overlapping taxing authorities actual value that is within the District's boundaries and dividing it by the overlapping taxing authorities' total actual taxable value.



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DEMOGRAPHIC & ECONOMIC INFORMATION





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PASADENA INDEPENDENT SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Table 13

Fiscal Year Ended	Unemployment Rate (%) (1)	Estimated Population (2)	Median Household Income (3)	Residential Units (4)	Personal Income (5)	Total Assessed Value of Residential Units (4)	Average Assessed Value Per Residential Unit (4)	Peak School Enrollment
8/31/2017	4.2 %	274,845	\$ 54,724	55,299	\$ 3,026,182,476	\$ 7,201,040,235	\$ 130,220	56,282
8/31/2016	4.9	265,425	54,230	54,363	3,276,306,606	6,498,176,002	119,532	56,019
8/31/2015	4.8	259,791	53,822	55,126	3,276,306,606	5,935,227,921	107,667	55,570
8/31/2014	5.2	254,920	45,843	57,514	2,636,614,302	5,656,695,787	98,353	54,505
8/31/2013	6.1	247,451	41,922	62,513	2,620,669,986	5,666,046,003	90,638	53,636
8/31/2012	6.8	242,917	51,289	62,308	3,195,715,012	5,849,352,590	93,878	52,942
8/31/2011	8.1	244,213	50,928	60,898	3,101,413,344	5,956,692,078	97,814	52,218
8/31/2010	8.4	242,630	50,422	60,019	3,026,278,018	6,027,563,231	100,427	52,303
8/31/2009	8.5	261,365	50,569	59,990	3,033,634,310	6,244,873,470	104,099	51,578
8/31/2008	5.1	255,368	52,391	59,039	3,093,112,249	6,030,474,894	102,144	50,757

Sources: (1) US Bureau of Labor Statistics

(2) Municipal Advisory Council of Texas

(3) US Census Bureau - Harris County

(4) Harris County Appraisal District

(5) Personal Income from Table 13 median household income x residential units as a percent of Total Primary Government

PASADENA INDEPENDENT SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS PRIOR
(UNAUDITED)

Table 14

Employer	2017			2008		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Pasadena Independent School District	7,974	1	8.54%	6,541	1	5.07%
Lyondell Chemical Company	2,613	2	2.80%	-	-	-
SGS Petroleum Service Corp.	2,500	9	2.68%	-	-	-
The Boeing Company	2,000	3	2.14%	2,300	2	1.78%
Mundy Company	1,200	4	1.29%	1,500.00	4	1.16%
Shell Chemical	1,600	6	1.71%	1,750.00	3	1.36%
Bayshore Medical Center	1,350	5	1.45%	1,042.00	7	0.81%
San Jacinto College	1,322	7	1.42%	1,179.00	6	0.91%
University of Houston-Clear Lake	1,245	8	1.33%	1,200.00	5	0.93%
City of Pasadena	1,056	10	1.13%	990	8	0.77%
Lyondell-Basell Ind	-		-	900	9	0.70%
Bayshore Medical Center	-		-	693	10	0.54%
Totals:	22,860		24.49%	18,095		14.03%

Source: City of Pasadena website

*PISD District Records



OPERATING INFORMATION





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PASADENA INDEPENDENT SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY POSITION
LAST TEN FISCAL YEARS

Table 15

Full-Time Equivalent:	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<i>Professional Staff</i>										
Teachers	3,846	3,761	3,642	3,540	3,430	3,376	3,500	3,442	3,457	3,332
Support Staff										
Counselors	102	100	96	91	91	114	108	91	91	79
Educational Diagnosticians	41	41	37	37	32	37	32	19	19	21
Librarians	71	69	64	63	65	64	58	55	55	48
School Nurses	69	68	66	65	63	66	60	59	57	54
Teacher Facilitators	138	133	129	124	124	113	106	124	-	-
Therapists	59	52	52	60	52	56	62	42	49	40
School Psychologists	44	46	47	39	40	34	31	16	20	20
Other Support Staff	237	234	195	189	151	140	128	132	268	281
Subtotal	761	743	686	668	618	624	585	538	559	543
Administrators										
Admin/Instr Officers	63	64	59	52	56	53	58	56	62	48
Principals	67	67	62	62	62	61	60	59	58	57
Assistant Principals	131	132	125	125	116	119	118	115	122	110
Superintendent	1	1	1	1	1	1	1	1	1	1
Assoc. Superintendents	13	14	14	15	14	13	14	13	10	11
Subtotal	275	278	261	255	249	247	251	244	253	227
Total Professional Staff	4,882	4,782	4,589	4,463	4,297	4,247	4,336	4,224	4,269	4,102
Educational Aides	908	885	844	776	766	681	734	671	586	396
Auxiliary Staff	2,343	2,307	2,217	2,163	2,121	2,109	2,107	2,252	2,299	2,394
Total Personnel	8,133	7,974	7,650	7,402	7,184	7,037	7,177	7,147	7,154	6,892

Source: Texas Education Agency Website

PASADENA INDEPENDENT SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

Table 16

Fiscal Year Ended	Average Daily Attendance	Operating Expenditures (1)	Cost Per Student	Percentage Change	Government - Wide Expenses (2)	Cost Per Student	Percentage Change	Teaching Staff	Student to Teacher Ratio	Percentage of Students in Free/Reduced Lunch Program
8/31/2017	51,730	\$ 499,006,537	\$ 9,646	-9.01%	\$ 627,794,501	\$ 12,136	0.29%	3,846	13.45	77.7%
8/31/2016	51,742	548,576,006	10,602	5.07	626,102,003	12,100	7.72	3,761	13.76	77.80
8/31/2015	51,399	518,632,470	10,090	2.32	577,394,346	11,234	1.10	3,642	14.11	79.50
8/31/2014	50,452	497,551,778	9,862	6.30	560,569,480	11,111	9.05	3,540	14.25	79.50
8/31/2013	49,519	459,399,382	9,277	0.93	504,530,430	10,189	2.26	3,430	14.44	79.60
8/31/2012	49,039	450,749,842	9,192	(2.40)	488,587,059	9,963	(2.45)	3,376	14.53	80.00
8/31/2011	48,340	455,264,490	9,418	(0.40)	493,701,255	10,213	(0.94)	3,500	13.81	78.90
8/31/2010	48,191	455,698,507	9,456	2.58	496,857,049	10,310	2.53	3,442	14.00	74.90
8/31/2009	47,560	438,426,490	9,218	6.69	478,243,532	10,056	5.51	3,457	13.76	69.00
8/31/2008	46,953	405,693,792	8,640	9.59	447,482,532	9,530	10.69	3,332	14.09	69.00

Source: Nonfinancial information from district records.

ADA number is from TEA Finance Website

(1) Operating expenditures are total expenditures less debt service and capital outlay from Table 4

(2) Government-wide expenses include only governmental activities

PASADENA INDEPENDENT SCHOOL DISTRICT
TEACHER BASE SALARIES
LAST TEN FISCAL YEARS

Table 17

Fiscal Year Ended	District Average Salary (1)	Region IV Average Salary (2)	Statewide Average Salary (1)
8/31/2017	\$ 54,351	\$ 55,992	\$ 52,525
8/31/2016	54,877	55,580	51,891
8/31/2015	53,652	54,157	50,715
8/31/2014	52,509	52,222	49,692
8/31/2013	51,331	50,968	48,821
8/31/2012	49,746	50,383	48,375
8/31/2011	49,694	50,616	48,638
8/31/2010	48,436	50,129	48,263
8/31/2009	47,648	50,561	47,159
8/31/2008	46,101	48,125	46,179

Source (1): Texas Education Agency website, Texas Academic Performance Report

Source (2): Region IV Education Service Center

PASADENA INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION

Table 18
Page 1 of 2

CAMPUS	YEAR CONSTRUCTED	BLDG AGE (YEARS)	BLDG CAPACITY	# OF PORTABLE CLASSROOMS	PORTABLE CAPACITY (# of rooms*25)	Total Capacity	2016/2017 Enrollment	% of Capacity Used
<u>HIGH SCHOOL</u>								
Dobie	2003	14	3,500	44	1,100	4,600	3,923	85%
Dr. Lewis CTHS	2014	3	1,500	-	-	1,500	1,286	86%
Pasadena	2001	16	3,024	-	-	3,024	2,515	83%
Pasadena Memorial	2003	14	3,000	28	700	3,700	3,106	84%
Sam Rayburn	2002	15	2,528	31	775	3,303	2,697	82%
South Houston	2001	16	2,450	28	700	3,150	2,507	80%
<u>INTERMEDIATE</u>								
Beverly Hills	2004	13	1,501	2	50	1,551	1,062	68%
Bondy	1993	24	1,144	2	50	1,194	964	81%
Jackson	2002	15	1,384	-	-	1,384	697	50%
Miller	1968	49	982	8	200	1,182	839	71%
Park View	1966	51	963	9	225	1,188	621	52%
Queens	2014	3	925	-	-	925	587	63%
San Jacinto	2008	9	850	-	-	850	689	81%
South Houston	1989	28	1,058	4	100	1,158	766	66%
Southmore	2008	9	850	2	50	900	805	89%
Thompson	1972	45	995	14	350	1,345	983	73%
<u>MIDDLE SCHOOLS</u>								
DeZavala	2002	15	845	6	132	977	755	77%
Keller	2014	3	889	2	44	933	692	74%
Kendrick	2015	2	889	-	-	889	768	86%
Lomax	2007	10	925	6	132	1,057	632	60%
Melillo	2008	9	850	6	132	982	670	68%
Milstead	2007	10	925	6	132	1,057	801	76%
Morris	2004	13	873	12	264	1,137	940	83%
Roberts	2015	2	889	-	-	889	643	72%
Schneider	2006	11	878	-	-	878	785	89%
Shaw	2008	9	925	2	44	969	748	77%
Sullivan	2015	2	850	-	-	850	670	79%
<u>ALTERNATIVE</u>								
College Readiness Ctr	2010	7	800	-	-	800	-	0%
Community School	2003	14	107	-	-	107	109	102%
Guidance Center	2005	12	200	-	-	200	-	0%
Summit	2004	13	175	-	-	175	127	73%
Tegeler	2013	4	400	8	120	520	347	67%

Source: District records

PASADENA INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION

Table 18
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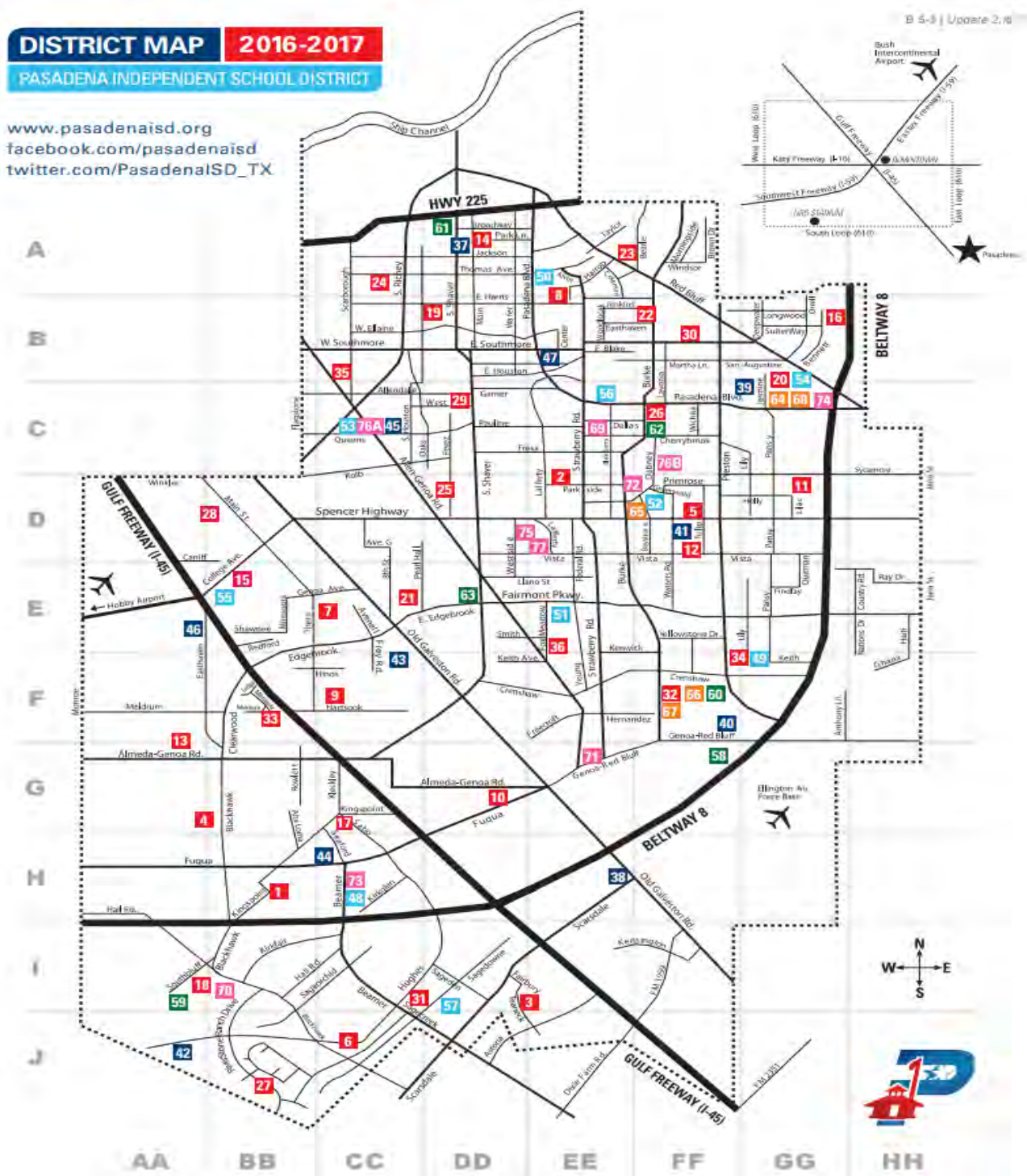
CAMPUS	YEAR CONSTRUCTED	BLDG AGE (YEARS)	BLDG CAPACITY	# OF PORTABLE CLASSROOMS	PORTABLE CAPACITY (# of rooms*22)	Total Capacity	2016/2017 Enrollment	% of Capacity Used
<u>ELEMENTARY</u>								
Atkinson	1969	48	607	8	176	783	541	69%
Bailey	1959	58	585	28	616	1,201	714	59%
Burnett	2002	15	585	24	528	1,113	580	52%
Laura Bush	2006	11	750	14	308	1,058	731	69%
Fisher	1963	54	637	19	418	1,055	763	72%
Frazier	2002	15	512	4	88	600	537	90%
Freeman	1960	57	585	5	110	695	579	83%
Gardens	2014	3	800	-	-	800	705	88%
Garfield	2002	15	694	14	308	1,002	780	78%
Genoa	2002	15	721	12	264	985	789	80%
Golden Acres	1998	19	635	6	132	767	465	61%
Hancock	2016	1	800	-	-	800	491	61%
Jensen	1998	19	669	9	198	867	700	81%
Jessup	1958	59	800	12	264	1,064	769	72%
Kruse	2009	8	825	3	66	891	639	72%
L.F. Smith	1959	58	722	13	286	1,008	712	71%
Matthys	1992	25	777	6	132	909	706	78%
McMasters	2001	16	430	6	132	562	458	81%
Meador	1963	54	627	8	176	803	620	77%
Moore	1980	37	700	-	-	700	507	72%
Morales	1992	25	644	2	44	688	542	79%
Parks	2001	16	687	-	-	687	475	69%
Pearl Hall	2007	10	800	4	88	888	773	87%
Pomeroy	1959	58	598	23	506	1,104	895	81%
Red Bluff	2001	16	752	9	198	950	595	63%
Richey	2008	9	815	4	88	903	781	86%
Smythe, Mae	1955	62	669	14	308	977	688	70%
South Belt	2009	8	780	-	-	780	622	80%
So. Houston	2013	4	800	-	-	800	685	86%
So. Shaver	1949	68	800	-	-	800	712	89%
Sparks	1993	24	649	2	44	693	510	74%
Stuchbery	1967	50	946	5	110	1,056	760	72%
Teague	1977	40	720	4	88	808	729	90%
Turner	1992	25	680	-	-	680	592	87%
Williams	1958	59	672	12	264	936	657	70%
Young	1980	37	660	12	264	924	746	81%

Source: District records

PASADENA INDEPENDENT SCHOOL DISTRICT

LOCATION MAP

Table 19
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PASADENA INDEPENDENT SCHOOL DISTRICT

LOCATION MAP

Table 19
Page 2 of 2

PASADENA INDEPENDENT SCHOOL DISTRICT

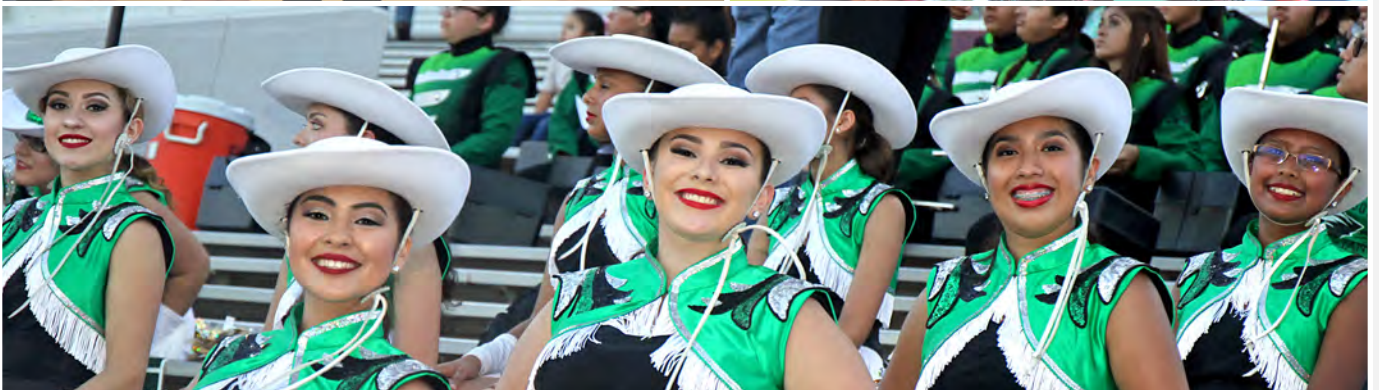
ELEMENTARY	HIGH SCHOOLS	ALT	ADMIN / COMMUNITY
1. H-BB Atkinson, 9602 Kingspoint Rd., Houston, TX. 77075.....713-740-0520	58. G-FF Career & Technical, 1348 Genoa Red Bluff, Houston, TX. 77034 .. 713-740-5320	64. C-GG Community School, 1838A E.Sam Houston Pkwy. So., Pasadena, TX. 77503 . 713-740-0298	69. C-EE Administration Building, 1515 Cherrybrook Ln., Pasadena, TX 77502
2. D-EE Bailey, 2707 Lafferty Rd., Pasadena, TX. 77502713-740-0528	59. I-AA J. Frank Dobie, 10220 Blackhawk Blvd, Houston, TX. 77089... 713-740-0370	65. D-FF Guidance Center, 3010 Bayshore Dr., Pasadena, TX. 77502713-740-0792	70. I-BB AG Complex 1 (Dobie), 10502 Blackhawk, Houston, TX 77089
3. J-EE Burnett, 11825 Teaneck Dr., Houston, TX. 77089.....713-740-0536	60. F-FF Memorial, 4410 Crenshaw, Pasadena, TX. 77504713-740-0390	66. F-FF L.P. Card Career & Technical Center, 4320 Crenshaw, Pasadena, TX. 77504713-740-0802	71. G-EE AG Complex 2, 525 Genoa Red Bluff, Houston, TX 77034
4. G-AA Bush, 9100 Blackhawk Blvd., Houston, TX. 77075.....713-740-0928	61. A-DD Pasadena, 206 South Shaver, Pasadena, TX. 77506713-740-0310	67. F-FF Tegeler Career Center, 4949 Burke Rd., Pasadena, TX. 77504.....713-740-0410	72. D-EE Athletic Complex (Philips Fieldhouse, Shippey Aquatic Center, Stadium) 2906 Dabney, Pasadena, Texas 77502
5. D-FF Fisher, 2920 Watters Rd., Pasadena, TX. 77502713-740-0552	62. C-FF Sam Rayburn, 2121 Cherrybrook Ln., Pasadena, TX. 77502 713-740-0330	68. C-GG The Summit, 1838 E.Sam Houston Pkwy. So., Pasadena, TX. 77503 .713-740-0290	73. H-CC Collaborative Learning Center, 11111 Beamer Rd., Houston, TX 77089
6. J-CC Frazier, 10503 Hughes Rd., Houston, TX. 77089713-740-0560	63. E-DD South Houston, 3820 South Shaver, South Houston, TX. 77587 713-740-0350		74. C-GG Frank Braden Center, 1814 E.Sam Houston Parkway South, Pasadena, TX 77503
7. E-CC Freeman, 2323 Theta St., Houston, TX. 77034713-740-0568			75. D-DD Maintenance & Warehouse, 3131-3135 Westside Dr., Pasadena, TX 77504
8. A-EE Gardens, 1105 East Harris, Pasadena, TX. 77506713-740-0576			76A. C-CC Softball Complex 1112 Queens, Rd, Pasadena, TX 77502
9. F-CC Garfield, 10301 Hartsook St., Houston, TX. 77034713-740-0584			76B. C-EE Aux. Field/Baseball 2906 Dabney, Pasadena, TX 77502
10. G-DD Genoa, 12900 Alameda Genoa Rd., Houston, TX. 77034 .713-740-0592			77. D-EE Transportation & Operations, 3212-3214 Lafferty, Pasadena, TX 77504
11. D-GG Golden Acres, 5232 Sycamore, Pasadena, TX. 77503...713-740-0600			
12. D-FF Jensen, 3514 Tulip, Pasadena, TX. 77504713-740-0608			
13. G-AA Jessup, 9301 Alameda Genoa Rd., Houston, TX., 77075 .713-740-0616			
14. A-DD Kruse, 400 Park Lane, Pasadena, TX. 77506713-740-0624			
15. E-BB Matthys, 1500 Main St., South Houston, TX. 77587713-740-0632			
16. B-GG McMasters, 1011 Bennett Dr., Pasadena, TX. 77503713-740-0640			
17. H-CC Meador, 10701 Seaford Dr., Houston, TX. 77089.....713-740-0648			
18. I-AA Moore, 8880 Southbluff, Houston, TX. 77089713-740-0656			
19. B-DD Morales, 305 W. Harris, Pasadena, TX. 77506713-740-0664			
20. B-GG Parks, 3302 San Augustine, Pasadena, TX. 77503713-740-0680			
21. E-CC Pearl Hall, 1504 9th St., South Houston, TX. 77587713-740-0688			
22. B-FF Pomeroy, 920 Burke Rd., Pasadena, TX. 77506713-740-0696			
23. A-EE Red Bluff, 416 Bearle St., Pasadena, TX. 77506713-740-0704			
24. A-CC Richey, 610 South Richey, Pasadena, TX. 77506713-740-0712			
25. D-DD Smith, L.F., 1401 Avenue A., South Houston, TX. 77587 .713-740-0720			
26. C-FF Smythe, Mae, 2202 Pasadena Blvd., Pasadena, TX. 77502 .713-740-0728			
27. J-BB South Belt, 1801 Riverstone Ranch Dr., Houston TX. 77089 713-740-5276			
28. D-BB South Houston, 900 Main St., South Houston, TX. 77587 713-740-0736			
29. C-DD South Shaver, 200 West Ave., Pasadena, TX. 77502713-740-0842			
30. B-FF Sparks, 2503 E. Southmore, Pasadena, TX. 77502713-740-0744			
31. I-DD Stuchbery, 11210 Hughes Rd., Houston, TX. 77089713-740-0752			
32. F-FF Teague, 4200 Crenshaw, Pasadena, TX. 77504.....713-740-0760			
33. F-BB Thomas Hancock, 9604 Minnesota, Houston, TX 77075 .713-740-5430			
34. E-GG Turner, 4333 Lily, Pasadena, TX. 77505713-740-0768			
35. B-CC Williams, 1522 Scarborough Ln., Pasadena, TX. 77502 ..713-740-0776			
36. E-EE Young, 4221 Fox Meadow Ln., Pasadena, TX. 77504713-740-0784			
37. A-DD DeZavala, 101 E. Jackson, Pasadena, TX. 77506713-740-0544			
38. H-EE Fred Roberts, 13402 Conklin Lane, Houston TX. 77034...713-740-5390			
39. B-GG Keller, 1711 Magnolia Dr., Pasadena, TX. 77503.....713-740-5284			
40. F-FF Lomax, 1519 Genoa Red Bluff, Pasadena, TX. 77504.....713-740-5230			
41. D-FF Marshall Kendrick, 3001 Watters Rd., Pasadena TX. 77504..713-740-5830			
42. J-AA Melillo, 9220 Hughes Rd., Houston, TX. 77089.....713-740-5260			
43. F-CC Milstead, 338 Gilpin, Houston, TX. 77034713-740-5238			
44. H-CC Morris, 10415 Fuqua, Houston, TX. 77089.....713-740-0672			
45. C-CC Nelda Sullivan, 1112 Queens Rd., Pasadena, TX. 77502...713-740-5420			
46. F-BB Schneider, 8420 Easthaven, Houston, TX. 77587.....713-740-0920			
47. B-EE Shaw, 1201 Houston Ave., Pasadena, TX. 77502713-740-5268			
48. H-CC Beverly Hills, 11111 Beamer Rd., Houston, TX. 77089 .713-740-0420			
49. E-GG Bondy, 5101 Keith Road, Pasadena, TX. 77505713-740-0430			
50. A-EE Jackson, 1020 East Thomas, Pasadena, TX. 77506713-740-0440			
51. E-EE Miller, 1002 Fairmont Pkwy., Pasadena, TX. 77504713-740-0450			
52. D-FF Park View, 3003 Dabney, Pasadena, TX. 77502713-740-0460			
53. C-CC Queens, 1452 Queens Rd., Houston, TX. 77017713-740-0470			
54. C-GG San Jacinto, 3600 Red Bluff Rd., Pasadena, TX. 77503 713-740-0480			
55. E-BB South Houston, 900 College Ave., South Houston, TX. 77587 ...713-740-0490			
56. C-EE Southmore, 2000 Patricia Ln., Pasadena, TX. 77502713-740-0500			
57. J-DD Thompson, 11309 Sagedowne Ln., Houston, TX. 77089 713-740-0510			



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FEDERAL AWARDS





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**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**

The Board of Trustees of
Pasadena Independent School District
1515 Cherrybrook
Pasadena, Texas 77502

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pasadena Independent School District (the District) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 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 a 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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*.

The Board of Trustees of
Pasadena Independent School District

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 19, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The Board of Trustees of
Pasadena Independent School District
1515 Cherrybrook
Pasadena, Texas 77502

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
January 19, 2018

PASADENA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

I. Summary Of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal controls over major programs:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster:
84.010A	Title 1, Part A
84.027A & 84.173A	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A and type B federal programs	\$1,968,603
Auditee qualified as a low-risk auditee?	Yes

II. Financial Statement Findings

None noted

III. Federal Awards Findings and Questioned Costs

None noted

IV. Status of Prior Year Findings

None noted

PASADENA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Exhibit K-1
Page 1 of 2

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct:			
<i>Fund for the Improvement of Education - Foundation for Academic Success</i>	84.184G	N/A	\$ 679,415
Passed Through State Department of Education:			
Title I, Part A:			
<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	17610101101917	16,315,097
<i>Title I - Priority and Focus School Grant</i>	84.010A	17610112101917000	164,756
Total Program 84.010A			<u>16,479,853</u>
<i>Title I, Part C - Migrant Education Program</i>	84.011A	17615001101917	289,388
Special Education Cluster (IDEA):			
<i>IDEA - Part B, Formula</i>	84.027A	166600011019176600	2,523
<i>IDEA - Part B, Formula</i>	84.027A	176600011019176600	8,953,884
<i>IDEA - Part B, Formula</i>	84.027A	186600011019176600	32,754
<i>IDEA - Part B, Preschool</i>	84.173A	176610011019176610	132,521
<i>IDEA - Part B, High Cost Risk Pool</i>	84.027A	176600061019176680	317,318
Total Special Education Cluster (IDEA)			<u>9,439,000</u>
<i>Career and Technical - Basic Grant</i>	84.048A	16420006101917	11,959
<i>Career and Technical - Basic Grant</i>	84.048A	17420006101917	696,931
<i>Career and Technical - Basic Grant</i>	84.048A	18420006101917	33,538
Total Program 84.048A			<u>742,428</u>
<i>Title IV, Part B 21st Century Community Learning Centers</i>	84.287C	166950197110026	562
<i>Title IV, Part B 21st Century Community Learning Centers</i>	84.287C	176950197110026	1,740,239
<i>Title IV, Part B 21st Century Community Learning Centers</i>	84.287C	176950247110020	1,708,825
<i>Title IV, Part B 21st Century Community Learning Centers</i>	84.287C	186950197110026	72,280
<i>Title IV, Part B 21st Century Community Learning Centers</i>	84.287C	186950247110020	76,445
Passed Through Harris County Department of Education:			
<i>Title IV, Part B 21st Century Community Learning Centers</i>	84.287C	747001215	333,926
<i>Title IV, Part B 21st Century Community Learning Centers</i>	84.287C	748001215	8,830
Total Program 84.287C			<u>3,941,107</u>
Passed Through State Department of Education:			
<i>Title III, Part A - English Language Acquisition and Language Enhancement</i>	84.365A	17671001101917	1,500,216
<i>Title III, Part A - Immigrant</i>	84.365A	17671003101917	127,418
Total Program 84.365			<u>1,627,634</u>
<i>ESEA Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	17694501101917	1,350,815

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.

PASADENA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Exhibit K-1
Page 2 of 2

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
<i>Summer School LEP</i>	84.369A	69551602	32,967
Passed Through Region X Education Service Center:			
<i>Texas Support for Homeless Education Program</i>	84.196A	17-050	213,270
TOTAL U.S. DEPARTMENT OF EDUCATION			34,795,877
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
Passed Through Harris County Department of Education:			
<i>CASE</i>	93.596	N/A*	145,000
Passed Through State Department of Health and Human Services:			
<i>Medicaid Administrative Claiming Program (MAC)</i>	93.778	529-07-0157-00079	311,771
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			456,771
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Noncash Assistance:			
<i>National School Lunch Program</i>	10.555	00527	3,174,583
Passed Through State Department of Education - Cash Assistance:			
<i>School Breakfast Program</i>	10.553	71401701	6,375,131
<i>National School Lunch Program</i>	10.555	71301701	19,705,784
Passed Through State Department of Agriculture - Cash Assistance:			
<i>Summer Feeding</i>	10.559	00527	529,210
Total Child Nutrition Cluster			29,784,708
Passed Through State Department of Agriculture - Cash Assistance:			
<i>Child and Adult Care Food Program (CACFP)</i>	10.558	00527	582,731
TOTAL U.S. DEPARTMENT OF AGRICULTURE			30,367,439
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 65,620,087

*N/A indicates that a pass-through entity identifying number was not available from the pass-through grantor.

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.

PASADENA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Exhibit K-2

Note 1 - Basis of Accounting

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

Noncash commodities are recorded at their market value at the time of donation. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2017. The information in this schedule is presented in accordance with the requirements Single Audit Act Amendments of 1996 and *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation of Basic Financial Statements

Total Expenditures of Federal Awards per Exhibit K-1	\$ 65,620,087
General Fund - Federal Revenue Excluded:	
ROTC	391,519
School Health and Related Services (SHARS)	3,768,899
Interest Subsidy on Qualified School Construction Bond	1,105,893
Total Federal Revenues per Exhibit C-3	<u>\$ 70,886,398</u>

PASADENA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Exhibit K-2

Note 4 - General Fund Federal Program Revenues

For purposes of regulatory requirements of the Texas Education Agency, a summary of federal program revenues received in the general fund for the year ended August 31, 2017, are as follows:

Program Source	CFDA Number	Amount
SHARS	N/A	\$ 3,768,899
Interest Subsidy on Qualified School Construction Bond	N/A	1,105,893
Medicaid Administrative Claiming Program	93.778	311,771
ROTC	12.000	391,519
Indirect Costs:		
Title I - Part A - Improving Basic Programs	84.010A	327,898
Title I - Priority and Focus School Grant	84.010A	3,311
Title I, Part C - Migrant Education Program	84.011A	5,816
IDEA Part B - Formula	84.027A	177,638
Career and Technical - Basic Grant	84.048A	26,197
IDEA Part B - Preschool	84.173A	2,730
Fund for the Improvement of Education - Foundation for Academic Success	84.184G	28,456
Title IV, Part B 21st Century Community Learning Centers	84.287C	70,283
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	29,416
Title III, Part A - Immigrant	84.365A	2,498
Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	29,452
Total		\$ 6,281,777



It is the policy of the Pasadena Independent School District not to discriminate on the basis of age, color, handicap or disability, ancestry, national origin, marital status, race, religion, sex, veteran status, political affiliation, sexual orientation, gender identity and/or gender expression in its educational or employment programs and activities.