

**Fabens Independent School District
Fabens, Texas**

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2017

Prepared by:
Superintendent Eldefonso Garcia, Jr.
Assistant Superintendent of Finance Gilbert Alarcon



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INGRAM

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FABENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

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INTRODUCTORY SECTION


CERTIFICATE OF BOARD

Fabens Independent School District
Name of School District

El Paso County
County

071-9073
Co. – Dist. Number

We, the undersigned, certify that the attached annual financial and compliance reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2017, at a meeting of the board of trustees of such school district on the 21th day of March 2018.



Board President



Board Vice President

If the board of trustees disapproved of the independent auditors' report, the reason(s) for disapproving it is (are):

(Attach list as necessary)

FABENS INDEPENDENT SCHOOL DISTRICT
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Elected and Appointed Officials

Board of Trustees

Greg Spence.....President
Adan Escobar.....Vice President
Ben Morales.....Secretary
Orlando Flores.....Member
Sylvia Gonzales.....Member
Marcos Salcido III.....Member
Rey Sepulveda.....Member

Executive Officers

Eldefonso Garcia.....Superintendent
Dr. David Rueda.....Assistant Superintendent
Gilbert Alarcon.....Assistant Superintendent of Finance

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Fabens Independent School District

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 Fabens 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 the District as of August 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 14 through 19, Exhibits G-1, G-2, and G-3 on pages 68 through 70 and the Notes to Required Supplementary Information on page 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor fund financial statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relates 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 accompanying combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
El Paso, Texas
April 6, 2018

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MANAGEMENT’S DISCUSSION AND ANALYSIS

FABENS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

In this section of the Annual Financial Report, we, the managers of Fabens Independent School District (the "District"), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2017. Please read it in conjunction with the District's Financial Statements that follow this section.

FINANCIAL HIGHLIGHTS

Total assets decreased by \$1.6 million. This was primarily due to a decrease in cash of \$4.5 million offset by an increase in capital assets of about \$3 million.

Total liabilities decreased by about \$800,000. This was primarily due to a decrease in debt of \$770,000 from debt principal payments.

Total expenditures decreased by about \$1.7 million. This was mostly due to reduced debt service costs of about \$950,000 including a decrease in debt issuance costs of about \$250,000.

Total revenues decreased by about \$1.3 million mostly due to decreased grants and contributions.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (Exhibits A-1 and B-1 on pages 22-23). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements starting with Exhibit C-1 (page 24) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (pages 34-66) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA.

The sections labeled TEA Required Schedules and Compliance Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

FABENS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 22. The primary purpose of these statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in it. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the Governmental activities column shows the District's basic services, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin with Exhibit C-1 (page 24) and provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title 1, Part A from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation exhibits following each of the fund financial statements.

FABENS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on Exhibit E-1 (page 32) and Changes in Fiduciary Fund Net Position on Exhibit E-2 (page 33). We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities decreased from \$5,336,871 to \$4,006,267. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$(4,861,650) at August 31, 2017. Restricted net position is the portion of net position subjected to external or internal restrictions regarding how they may be used. At August 31, 2017, the restricted net position totaled \$934,454, which included net position restricted for federal and state programs totaling \$440,642 and for debt service totaling \$493,812. The remaining portion of net position in the amount of \$7,933,463 is the investment in capital assets (e.g., land, buildings, machinery, and equipment) after netting with related outstanding debt.

**Table I
NET POSITION**

August 31,	2017	2016
Current and Other Assets	\$ 3,130,752	\$ 7,934,742
Capital Assets	<u>39,753,857</u>	<u>36,526,907</u>
Total Assets	<u>42,884,609</u>	<u>44,461,649</u>
Deferred Outflows Related to Pension	<u>2,305,288</u>	<u>2,624,394</u>
Total Deferred Outflows of Resources	<u>2,305,288</u>	<u>2,624,394</u>
Long-term Liabilities	37,575,783	39,030,365
Other Liabilities	<u>2,828,629</u>	<u>2,196,943</u>
Total Liabilities	<u>40,404,412</u>	<u>41,227,308</u>
Deferred Inflows Related to Pension	<u>779,218</u>	<u>521,864</u>
Total Deferred Inflows of Resources	<u>779,218</u>	<u>521,864</u>
Net Investment in Capital Assets	7,933,463	8,085,881
Restricted	934,454	1,016,096
Unrestricted	<u>(4,861,650)</u>	<u>(3,765,106)</u>
Total Net Position	<u>\$ 4,006,267</u>	<u>\$ 5,336,871</u>

FABENS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

Table II
CHANGES IN NET POSITION

Year Ended August 31,	2017	2016
Revenues:		
Charges for Services	\$ 674,554	\$ 638,426
Operating Grants and Contributions	5,074,793	7,237,747
General Revenues:		
Maintenance and Operations Taxes	1,567,685	1,673,696
Debt Service Taxes	443,794	467,185
State Aid – Formula Grants	19,064,545	18,127,468
Investment Earnings	29,182	23,470
Miscellaneous	-	56,802
Total Revenues	26,854,553	28,224,794
Expenses:		
Instruction, Curriculum, and Media Services	16,544,633	17,370,287
Instructional and School Leadership	2,039,359	2,080,366
Student Support Services	1,875,706	1,890,562
Child Nutrition	1,332,286	1,350,570
Co-curricular Services	1,039,215	1,051,867
General Administration	1,253,912	1,235,258
Plant Maintenance, Security and Data Processing	3,303,610	3,224,376
Community Services	91,589	91,716
Debt Services	937,311	1,891,979
Other Intergovernmental Charges	32,236	30,623
Total Expenses:	28,449,857	30,217,604
Increase in Net Position	(1,595,304)	(1,992,810)
Net Position, Beginning	5,336,871	7,828,832
Prior Period Adjustment	264,700	(499,151)
Net Position, Beginning (Restated)	5,601,571	7,329,681
Net Position, Ending	\$ 4,006,267	\$ 5,336,871

FABENS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on pages 24 and 25) reported a combined fund balance of \$1,649,614, which is \$4,671,246 less than last year's ending balance of \$6,320,860. This was partially due to a decrease in cash.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had \$69,564,822 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents an increase of \$4,663,404 compared to last year. This is a result of the completion of the Fabens Wildcat Den Gymnasium.

**Table III
Capital Assets**

August 31,	2017	2016	% change
Land and Improvements	\$ 636,697	\$ 636,697	0%
Buildings and Improvements	63,955,455	57,871,642	11%
Furniture and Equipment	4,972,670	4,256,135	17%
Construction in Progress	<u>-</u>	<u>2,136,944</u>	N/A
Total – Historical Cost	<u>\$ 69,564,822</u>	<u>\$ 64,901,418</u>	7%

Debt

At the end of 2017, the District had \$32,176,896 in bonds and contractual obligations versus \$32,962,937 in the prior year. Other obligations include accrued vacation pay and sick leave. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

FABENS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is an agricultural area which includes the unincorporated community of Fabens, a farm-market center located approximately 25 miles southeast of downtown El Paso on State Highway 20.

The District continues to implement a 5-year capital improvement plan based on the need of elementary, secondary, and support facilities. There were no changes in credit ratings or debt limitations affecting the financing of planned facilities or services.

The District completed the construction of a new High School Wildcat Den Gymnasium. The building was completed in December 2016. This facility was funded through a 2015 Bond Series.

For the 2017-2018 school year, the District's tax rate will have a constant M & O rate of 1.04 and a slight decrease in its I & S rate from .2940 to .2878.

These indicators were taken into account when adopting the General Fund 2017-2018 budget. Amounts available for appropriation in the General Fund budget are \$21,323,214, a decrease of 5.3% from the original 2016-2017 budget of \$22,525,686. The District will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to increase 1% over the original 2016-2017 budget. The District has added no major new programs or initiatives to the 2017-2018 budget.

The Board of Trustees and administration carefully considered all economic factors in the development of the 2018 budget and tax rates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This annual financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Fabens Independent School District, P. O. Box 697, Fabens, Texas 79838.

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BASIC FINANCIAL STATEMENTS

FABENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,839,858
1220 Property Taxes Receivable (Delinquent)	391,283
1230 Allowance for Uncollectible Taxes	(266,073)
1240 Due from Other Governments	813,679
1267 Due from Fiduciary Funds	12,897
1290 Other Receivables, Net	305,122
1300 Inventories	33,986
Capital Assets:	
1510 Land	636,697
1520 Buildings and Improvements, Net	38,266,669
1530 Furniture and Equipment, Net	682,957
1550 Leased Property Under Capital Leases, Net	167,534
1000 Total Assets	42,884,609
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflows Related to Pension	2,305,288
1700 Total Deferred Outflows of Resources	2,305,288
LIABILITIES	
2110 Accounts Payable	193,606
2140 Interest Payable	44,812
2160 Accrued Wages Payable	803,537
2200 Accrued Expenses	183,522
2300 Unearned Revenue	234,830
Noncurrent Liabilities	
2501 Due Within One Year	1,368,322
2502 Due in More Than One Year	30,808,574
2540 Net Pension Liability (District's Share)	6,767,209
2000 Total Liabilities	40,404,412
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows Related to Pension	779,218
2600 Total Deferred Inflows of Resources	779,218
NET POSITION	
3200 Net Investment in Capital Assets	7,933,463
3820 Restricted for Federal and State Programs	440,642
3850 Restricted for Debt Service	493,812
3900 Unrestricted	(4,861,650)
3000 Total Net Position	\$ 4,006,267

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

FABENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 15,984,662	\$ 622,480	\$ 2,645,441	\$ (12,716,741)
12 Instructional Resources and Media Services	297,277	-	11,091	(286,186)
13 Curriculum and Staff Development	262,694	-	133,719	(128,975)
21 Instructional Leadership	456,908	-	243,928	(212,980)
23 School Leadership	1,582,451	-	135,269	(1,447,182)
31 Guidance, Counseling and Evaluation Services	1,073,972	-	214,977	(858,995)
32 Social Work Services	36,218	-	383	(35,835)
33 Health Services	347,671	-	31,411	(316,260)
34 Student (Pupil) Transportation	417,845	-	30,112	(387,733)
35 Food Services	1,332,286	18,597	1,340,499	26,810
36 Extracurricular Activities	1,039,215	33,475	33,273	(972,467)
41 General Administration	1,253,912	-	63,387	(1,190,525)
51 Facilities Maintenance and Operations	2,736,712	2	90,386	(2,646,324)
52 Security and Monitoring Services	319,193	-	11,092	(308,101)
53 Data Processing Services	247,705	-	11,092	(236,613)
61 Community Services	91,589	-	78,733	(12,856)
72 Debt Service - Interest on Long-term Debt	934,961	-	-	(934,961)
73 Debt Service - Bond Issuance Cost and Fees	2,350	-	-	(2,350)
99 Other Intergovernmental Charges	32,236	-	-	(32,236)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 28,449,857	\$ 674,554	\$ 5,074,793	(22,700,510)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			1,567,685
DT	Property Taxes, Levied for Debt Service			443,794
GC	Grants and Contributions not Restricted			19,064,545
IE	Investment Earnings			29,182
TR	Total General Revenues			21,105,206
CN	Change in Net Position			(1,595,304)
NB	Net Position - Beginning			5,336,871
PA	Prior Period Adjustment (Note IV. T)			264,700
NE	Net Position--Ending			\$ 4,006,267

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

FABENS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes	10 General Fund	ESEA I, A Improving Basic Program	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,055,199	\$ 89,308	\$ 245,975
1220 Property Taxes - Delinquent	305,966	-	85,317
1230 Allowance for Uncollectible Taxes (Credit)	(208,057)	-	(58,016)
1240 Receivables from Other Governments	30,816	270,643	264,700
1260 Due from Other Funds	888,524	-	-
1290 Other Receivables	305,122	-	-
1300 Inventories	33,986	-	-
1000 Total Assets	<u>\$ 2,411,556</u>	<u>\$ 359,951</u>	<u>\$ 537,976</u>
LIABILITIES			
2110 Accounts Payable	\$ 91,368	\$ 25,966	\$ -
2160 Accrued Wages Payable	707,512	63,342	-
2170 Due to Other Funds	-	270,643	316,367
2200 Accrued Expenditures	183,522	-	-
2300 Unearned Revenues	200,639	-	6,884
2000 Total Liabilities	<u>1,183,041</u>	<u>359,951</u>	<u>323,251</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	51,330	-	14,313
2600 Total Deferred Inflows of Resources	<u>51,330</u>	<u>-</u>	<u>14,313</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	33,986	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	426,103	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
Assigned Fund Balance:			
3565 Retirement of Loans or Notes Payable	-	-	200,412
3590 Other Assigned Fund Balance	-	-	-
3600 Unassigned Fund Balance	717,096	-	-
3000 Total Fund Balances	<u>1,177,185</u>	<u>-</u>	<u>200,412</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,411,556</u>	<u>\$ 359,951</u>	<u>\$ 537,976</u>

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

60 Capital Projects Fund	Other Funds	Total Governmental Funds
\$ 293,400	\$ 155,976	\$ 1,839,858
-	-	391,283
-	-	(266,073)
-	247,520	813,679
-	-	888,524
-	-	305,122
-	-	33,986
<u>\$ 293,400</u>	<u>\$ 403,496</u>	<u>\$ 4,006,379</u>
\$ -	\$ 76,272	\$ 193,606
-	32,683	803,537
-	288,617	875,627
-	-	183,522
-	27,307	234,830
-	424,879	2,291,122
-	-	65,643
-	-	65,643
-	-	33,986
-	14,539	440,642
293,400	-	293,400
-	-	200,412
-	9,764	9,764
-	(45,686)	671,410
<u>293,400</u>	<u>(21,383)</u>	<u>1,649,614</u>
<u>\$ 293,400</u>	<u>\$ 403,496</u>	<u>\$ 4,006,379</u>

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

Total Fund Balances - Governmental Funds	\$	1,649,614
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$64,901,418 and the accumulated depreciation was (\$28,374,511). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		3,563,970
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to increase net position.		5,423,155
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$2,624,394, a Deferred Resource Inflow in the amount of \$521,864 and a net pension liability in the amount of \$7,010,631. The impact of this on net position is a decrease of (\$4,908,101). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of (\$333,038). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$5,241,139).		(5,241,139)
4 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,436,454)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		47,121
19 Net Position of Governmental Activities	\$	4,006,267

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

FABENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	10 General Fund	ESEA I, A Improving Basic Program	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 2,226,746	\$ -	\$ 489,059
5800 State Program Revenues	18,772,657	-	1,016,961
5900 Federal Program Revenues	1,480,866	1,506,143	-
5020 Total Revenues	<u>22,480,269</u>	<u>1,506,143</u>	<u>1,506,020</u>
EXPENDITURES:			
Current:			
0011 Instruction	12,368,558	1,360,006	-
0012 Instructional Resources and Media Services	276,512	-	-
0013 Curriculum and Instructional Staff Development	93,180	144,649	-
0021 Instructional Leadership	189,655	-	-
0023 School Leadership	1,415,506	1,031	-
0031 Guidance, Counseling and Evaluation Services	812,777	-	-
0032 Social Work Services	33,541	-	-
0033 Health Services	317,893	-	-
0034 Student (Pupil) Transportation	387,077	-	-
0035 Food Services	1,269,035	-	-
0036 Extracurricular Activities	984,462	-	-
0041 General Administration	1,164,128	-	-
0051 Facilities Maintenance and Operations	2,633,462	-	-
0052 Security and Monitoring Services	296,784	-	-
0053 Data Processing Services	232,750	-	-
0061 Community Services	16,878	457	-
Debt Service:			
0071 Principal on Long-term Debt	83,766	-	770,000
0072 Interest on Long-term Debt	-	-	1,092,247
0073 Bond Issuance Cost and Fees	-	-	2,350
Capital Outlay:			
0081 Facilities Acquisition and Construction	184,025	-	-
Intergovernmental:			
0099 Other Intergovernmental Charges	32,236	-	-
6030 Total Expenditures	<u>22,792,225</u>	<u>1,506,143</u>	<u>1,864,597</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(311,956)</u>	<u>-</u>	<u>(358,577)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In (Source)	-	-	34,338
8911 Transfers Out (Use)	(34,338)	-	-
7080 Total Other Financing Sources (Uses)	<u>(34,338)</u>	<u>-</u>	<u>34,338</u>
1200 Net Change in Fund Balances	(346,294)	-	(324,239)
0100 Fund Balance - September 1 (Beginning)	1,523,479	-	259,951
1300 Prior Period Adjustment (Note IV. T)	-	-	264,700
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,177,185</u>	<u>\$ -</u>	<u>\$ 200,412</u>

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

60 Capital Projects Fund	Other Funds	Total Governmental Funds
\$ 8,352	\$ 189,110	\$ 2,913,267
-	147,397	19,937,015
-	1,130,290	4,117,299
8,352	1,466,797	26,967,581
-	976,660	14,705,224
-	-	276,512
-	5,432	243,261
-	234,720	424,375
-	29,649	1,446,186
-	178,542	991,319
-	383	33,924
-	1,299	319,192
-	-	387,077
-	16,371	1,285,406
-	-	984,462
-	-	1,164,128
-	1,561	2,635,023
-	-	296,784
-	-	232,750
-	67,866	85,201
-	-	853,766
-	-	1,092,247
-	-	2,350
4,228,079	-	4,412,104
-	-	32,236
4,228,079	1,512,483	31,903,527
(4,219,727)	(45,686)	(4,935,946)
-	-	34,338
-	-	(34,338)
-	-	-
(4,219,727)	(45,686)	(4,935,946)
4,513,127	24,303	6,320,860
-	-	264,700
\$ 293,400	\$ (21,383)	\$ 1,649,614

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FABENS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	(4,935,946)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2017 capital outlays and debt principal payments is to increase net position.		5,423,155
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,436,454)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(313,021)
Current year changes due to GASB 68 required debits and credit to expenses, resulting in a decrease in the change in ending net position.		(333,038)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(1,595,304)</u>

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

FABENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 9,309	\$ 33,632
Long-term Investments	8,837	-
Total Assets	<u>18,146</u>	<u>\$ 33,632</u>
LIABILITIES		
Due to Other Funds	-	\$ 12,897
Due to Student Groups	-	20,735
Total Liabilities	<u>-</u>	<u>\$ 33,632</u>
NET POSITION		
Restricted for Scholarships	<u>18,146</u>	
Total Net Position	<u>\$ 18,146</u>	

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

FABENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 113
Total Additions	<u>113</u>
DEDUCTIONS:	
Supplies and Materials	155
Other Operating Costs	1,000
Total Deductions	<u>1,155</u>
Change in Net Position	(1,042)
Total Net Position - September 1 (Beginning)	<u>19,188</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 18,146</u></u>

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

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fabens Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. It complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity."

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61 and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. The primary standard for including or excluding a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The principal manifestation of this ability is financial inter-dependence. Other manifestations of the ability to exercise oversight responsibility include, but certainly are not limited to, the selection of the governing authority, the designation of management, the ability to materially influence operations and accountability include, but certainly are not limited to, the selection of the governing authority, the designation of management, the ability to materially influence operations and accountability for fiscal matters. The second standard used to evaluate potential component units is the scope of public services. Application of this standard entails considering whether the activity benefits the District, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. The third standard involved in evaluating whether potential component units are included or excluded from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

B. Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Fabens Independent School District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are an example of general revenue.

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

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues and expenses are nonoperating. Operating expenses can be tied specifically to the provision of health insurance to employees, such as claims. The District does not have any business-type activities.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when amounts are due and payable. The District considers all revenues available if they are collectible within 60 days after year end.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets. The District has no open bond proceeds as of August 31, 2017 included in this category.

The fiduciary fund financial statements reflect the District's agency funds and private purpose trust funds and do not have a measurement focus.

D. Fund Accounting

The District reports the following major governmental funds:

1. **General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **ESEA I, A Improving Basic Program** - This fund is used to provide supplemental educational opportunity for academically disadvantaged children residing in the area. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the Texas Education Agency.
3. **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund. This is a budgeted fund, and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
4. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Additionally, the District reports the following fund types:

NONMAJOR GOVERNMENTAL FUNDS:

1. **Special Revenue Funds** - These funds account for resources restricted to, or designated for, specific purposes by a grantor. Most Federal and State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances are returned to the grantor at the close of specified project periods.

FIDUCIARY FUNDS:

1. **Private Purpose Trust Funds** – These funds are used to account for donation that have stipulations that the principal may not be expended, and that only the income may be used for a specific purpose. The District’s private purpose trust fund is the Cook Memorial Fund.
2. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. Assets equal liabilities, and this fund does not include measurements or results of operations. The District’s Agency Fund is the Student Activity Account.

E. Other Accounting Policies

1. All investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year end. Investments with an original maturity of less than one year are reported at amortized cost.
2. The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.
3. The **Public Funds Investment Act** (“Act”) (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investments contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. Management asserts that the District is in substantial compliance with the requirements of the Act and with local policies.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Other Accounting Policies (Continued)

4. Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk:

Deposits - The District is not exposed to credit risk.

Temporary Investments - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds, mutual bond funds, public funds investment pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2017, the District's investments in Lone Star was rated AAAM by Standard & Poor's. See Note IV for further details.

Custodial Credit Risk:

Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has minimal custodial credit risk for deposits.

Temporary Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires to the securities the name of the district and hand them over to the District or its designated transactions. Investments are subject to custodial credit risk because their existence is not evidenced by securities that exist in physical or book-entry form.

Concentration of Credit Risk:

Deposits - The District is not exposed to concentration of credit risk.

Temporary Investments - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. In addition, the District limits investments to less than 5% of its total investments. Concentration of credit risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio.

Interest Rate Risk:

Deposits - The District is not exposed to interest rate risk.

Temporary Investments - To limit risk that rates will the fair value of investments, the District requires investment portfolio to have maturities of less than one year on a weighted average maturity (WAM) basis. See Note IV for further details.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Other Accounting Policies (Continued)

Foreign Currency Risk:

Deposits - The District is not exposed to foreign currency risk.

Temporary Investments - The District attempts to limit the risk that changes in exchange rates will adversely affect the fair value of an investment by avoiding investment pools or securities which are denominated in a foreign currency.

5. Inventories of supplies on the balance sheet are stated at cost and they include consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Although commodities are received at no cost, their fair market value is recorded as inventory and revenue when received. Any unused portion at year end is recorded as inventory based upon fair value.
6. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Premiums and discounts, as well as deferred losses/gains, are deferred and amortized over the life of the related debt using the straight line method. Long-term debt is reported net of the applicable premium or discount.

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 of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Upon retirement or death of certain employees, the District pays any accrued personal leave and vacation leave in a lump sum cash payment to such employee or his/her estate. Employees earn five days of local leave and five days of state leave on an annual basis.

The District has a policy with respect to compensated absences whereby District employees may receive reimbursements for unused personal leave upon retirement, or at the end of each school year. The policy specifies that an employee who retires from employment with the District shall be eligible for reimbursement of state and local leave under the condition that the employee's retirement is voluntary and that the employee has at least five years of service with the District.

The employee shall be reimbursed for each day of state and local leave, up to a maximum of 50 days or \$10,000, whichever is less. The rate of reimbursement for each unused personal leave day shall be equal to the employee's daily rate of pay at the time of retirement, based on contract salary or hourly rate, as appropriate. Unused vacation leave is accrued and paid upon retirement at the rate at which it was earned.

FABENS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Other Accounting Policies (Continued)

8. Capital assets, which include land, buildings, furniture and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$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, vehicles and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	15 - 50
Furniture and Equipment	5-15
Capital Lease	10

Land and construction in progress are not depreciated.

9. The District has implemented GASB Statement No. 54, “*Fund Balance Reporting and Government Fund Type Definitions*.” This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:
- **Nonspendable fund balance** - Represents amounts that are not in a spendable form, such as inventory, or legally required by contract for a specific future use, such as prepaid items.
 - **Restricted fund balance** - Represents amounts constrained to specific purposes by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation and retirement of long-term debt.
 - **Committed fund balance** - Represents amounts constrained to specific purposes by the District itself, using the highest level of decision-making authority, i.e., Board of Trustees. To be reported as committed, amounts cannot be used for any other purpose unless the District’s Board of Trustees approves the changes by Board Resolution. The Board shall take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year.
 - **Assigned fund balance** - Represents amounts the District intends to use for a specific purpose.
 - **Unassigned fund balance** - Represents amounts that are available for any purpose. Positive amounts are reported only in the general fund.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Other Accounting Policies (Continued)

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption or amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for construction projects, capital expenditures, and claims/judgments). An assignment of fund balance does not require the Board of Trustees approval but can be made through the Superintendent or Executive Director of Financial Services.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes of which amounts in any of those unrestricted fund balance classifications could be used, unless the Board of Trustees or designee have provided otherwise in its commitment or assignment actions.

10. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.
11. The District receives substantial amounts of funding from special revenue sources. The majority of this money is cost reimbursement to the District by the federal government or Texas Education Agency. The portion of revenue allowable for indirect cost is credited as revenue to the General Fund and as a reduction to revenue in the Special Revenue Fund, as appropriate.
12. The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from loans are shown in the financial statements as Other Resources and principal payments are shown as Other Uses.
13. In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.
14. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the District are management's estimate of depreciation on assets over their estimated useful lives, net pension liability, and the current portion of accrued compensated absences.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Other Accounting Policies (Continued)

15. In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue - property taxes, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$65,643 related to property taxes considered "unavailable." In addition, the District has three types of items present on the Statement of Net Position which arise due to, GASB 68 and the related net pension liability. Accordingly, the items, differences between expected and actual experience in the amount of \$202,065, changes in proportion in the amount of \$389,575 and changes in actuarial assumptions of \$187,578 are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This financial statement element, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has five types of items that qualify for reporting in this category. Accordingly, the items, employer contributions subsequent to measurement date in the amount of \$606,176, differences between expected and actual experience, of \$106,109, changes in actuarial assumptions of \$206,252, net difference between projected and actual investment earnings of \$573,033 and changes in proportion of \$813,718 are considered a deferred outflow of resources. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources in future period(s).

16. The fiduciary net position of the Teacher Retirement System of Texas (TRS), as detailed in a separately-issued Comprehensive Annual Financial Report as disclosed in Note IV Section G, has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
17. In the fund financial statements, governmental fund types recognize the accrual of unpaid wages, payroll taxes, and benefits that employees have earned at the close of each fiscal year.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. New Accounting Standards Adopted

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management that is responsible for the financial statements. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

During the year ended August 31, 2017, the District adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (partial), No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73* (partial). These six statements are required to be implemented as of August 31, 2017, if applicable.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the August 31, 2016 year end, and a portion is effective for August 31, 2017 year end. Effective for August 31, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the District.

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This statement does not affect the District's financial statements directly; however, the effects on the District's OPEB plan, administered through the Teacher Retirement System of Texas Care, will be seen in future periods.

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources came from and how it uses them, and (4) a government's financial position and economic condition and how they have changed after time – by including information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. New Accounting Standards Adopted (Continued)

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

This statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

The District does not have any tax abatements agreements to disclose as of August 31, 2017.

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The District's pension plan does not meet the criteria for exclusion.

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

GASB Statement No. 82 clarified and adjusted several items from GASB 67 and 68, including the definition of covered payroll, the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also included are deferred resource inflows and outflows related to TRS.

Another element of the reconciliation on Exhibit C-2 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the effect of liabilities associated with long-term debt and interest.

B. Explanation of Certain Difference between the Governmental Fund Statement of Revenues Expenditures, and Change in Fund Balances and the Government-wide Statement of Activities

Exhibit C-4 provides reconciliation between the net change in fund balances as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. Also included are deferred resource inflows and outflows related to TRS.

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the effect of liabilities associated with long-term debt and interest.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund and the Food Service Fund which is included in the General Fund on a basis consistent with GAAP. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the Food Service Fund appears in Exhibit J-2. The Board does not adopt a budget for special revenue funds since the budgets are designated by the grantor.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. The budget is prepared prior to August 20 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. At least ten days' public notice of the meeting must be given.

FABENS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2017

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Data (Continued)

3. Prior to September 1, the budget was legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board, therefore, the legal level of budgetary control is the function level within a fund. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. 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 to be either canceled or appropriately provided for in the subsequent year's budget.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At August 31, 2017, the carrying amount of the District's cash (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) includes the following:

	<u>Total Cash Per Fund</u>
General Fund	\$ 2,553,292
Special Revenue Funds	(1,984,067)
Campus Activity Fund	20,575
Food Service	(875,593)
Workers' Compensation	(411)
Total Bank Balance	<u>\$ (286,204)</u>

The District's cash deposits at August 31, 2017 were entirely covered by FDIC insurance (and related coverage) or by pledged collateral held by the District's agent bank in the District's name. The market value of securities pledged as of August 31, 2017 was \$2,750,000; the required collateral was \$547,315.

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

- a. Depository: Compass Bank – Atlanta, Georgia
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$2,750,000; the required collateral was \$547,315.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Due to the immediate availability of these funds, these temporary investments are included in cash and cash equivalents. The District's temporary investments at August 31, 2017, are show below:

Name	Fair value	WAM (in days)	Rating
Lone Star	\$ 2,126,062	22	AAAm
Total	<u>\$ 2,126,062</u>		

The Lone Star Investment Pool is a member owned, member-governed public funds investment pool and is valued at fair value based on quoted market prices as of the valuation date. It is managed by an eleven member Board of Trustees and the Board is authorized to adopt and maintain bylaws. There is also an Advisory Board composed of participants that gathers and exchanges information from participants relating to the operation of the Pool. Lone Star is not registered with the SEC.

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are: (1) Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access. (2) Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. (3) Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments. The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The District maintained a balance of \$2,126,062 in Lone Star, at year end, which required fair value disclosure as a Level 1.

B. Other Receivables

Other receivables of \$305,122 are shown at gross value in the General Fund. Management believes an allowance for doubtful accounts is not considered necessary for fair presentation. The majority of this amount \$264,400 is due from the restatement as described in note IV.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year in which imposed. On January 31 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after close of the school fiscal year.

D. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

E. Interfund Receivables, Payables and Transfers

The District's fund financial statements include interfund receivables and payables to enable the funds to operate until grant monies are received. Management intends to relieve these balances within one year.

Interfund balances at August 31, 2017 consisted of the following amounts:

	Due From Other Funds	Due To Other Funds
General Fund:		
Total General Fund	\$ 888,524	\$ -
Special Revenue Fund:		
Total ESEA I, A Improving Basic Program	-	270,643
Capital Projects Fund:		
Total Capital Projects Fund	-	-
Debt Service Fund:		
Total Debt Service Fund	-	316,367
Nonmajor Governmental Funds:		
Total Nonmajor Governmental Funds	-	288,617
Agency Fund:		
Total Agency Fund	-	12,897
Total	\$ 888,524	\$ 888,524

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables and Transfers (Continued)

Net operating transfers are made to close out funds and to supplement other funding sources in the normal course of operations. Transfers of August 31, 2017 are as follows:

Transfers Out	Transfers In	Amount
General Fund	Debt Service Fund	\$ 34,338

F. Capital Asset Activity

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

	Beginning Balance	Adjustments and Additions	Adjustments and Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 636,697	\$ -	\$ -	\$ 636,697
Construction in progress	2,136,944	3,366,154	(5,503,098)	-
Total capital assets not being depreciated	2,773,641	3,366,154	(5,503,098)	636,697
Capital assets being depreciated				
Buildings and improvements	57,871,642	6,083,813	-	63,955,455
Furniture and equipment	4,127,695	465,235	-	4,592,930
Capital leases	128,440	251,300	-	379,740
Total capital assets being depreciated	62,127,777	6,800,348	-	68,928,125
Totals at historical cost	64,901,418	10,166,502	(5,503,098)	69,564,822
Less accumulated depreciation for:				
Land and improvements	67,390	5,839	-	73,229
Buildings and improvements	24,441,157	1,174,400	-	25,615,557
Furniture and equipment	3,748,081	161,892	-	3,909,973
Capital leases	117,883	94,323	-	212,206
Total accumulated depreciation	28,374,511	1,436,454	-	29,810,965
Governmental activities' capital assets, net	\$ 36,526,907	\$ 8,730,048	\$ (5,503,098)	\$ 39,753,857

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Capital Asset Activity (Continued)

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$	927,645
12 Instructional resources and media services		15,597
13 Curriculum and staff development		15,757
21 Instructional leadership		23,689
23 School leadership		98,592
31 Guidance, counseling and evaluation services		60,141
32 Social work services		2,294
33 Health services		19,981
34 Student (pupil) transportation		22,270
35 Food services		35,851
36 Extracurricular activities		39,248
41 General administration		65,780
51 Facilities maintenance and operations		76,193
52 Security and monitoring services		17,241
53 Data processing services		11,625
61 Community services		4,550
		<hr/>
Total depreciation expense	\$	<u>1,436,454</u>

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Liabilities

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

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Building and refunding bonds	\$ 29,799,000	\$ -	\$ 770,000	\$ 29,029,000	\$ 1,161,000
Total bonds payable	29,799,000	-	770,000	29,029,000	1,161,000
Capital leases	-	251,300	83,766	167,534	83,766
Unamortized premiums/gain on bonds	2,777,634	-	153,774	2,623,860	123,556
Other long-term liabilities:					
Accumulated unpaid leave	337,979	57,587	39,064	356,502	-
Net pension liability	7,010,631	902,841	1,146,263	6,767,209	-
Total other long-term liabilities	7,348,610	960,428	1,185,327	7,123,711	-
Total governmental long-term liabilities	\$ 39,925,244	\$ 1,211,728	\$ 2,192,867	\$ 38,944,105	\$ 1,368,322

Other long-term liabilities are paid for by the general fund.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Liabilities (Continued)

A summary of changes in bonds payable for the year ended August 31, 2017 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Unlimited Tax School Building Bonds 2006	4.00% - 5.00%	\$ 10,000,000	\$ 270,000	\$ -	\$ -	\$ 270,000	\$ 270,000
Unlimited Tax School Building Bonds 2008	3.50% - 5.00%	10,000,000	1,845,000	-	175,000	1,670,000	180,000
Unlimited Tax Refunding Bonds 2014	2.00% - 4.00%	7,805,000	7,650,000	-	145,000	7,505,000	-
Unlimited Tax Refunding Bonds 2015	3.30%	1,400,000	1,304,000	-	-	1,304,000	151,000
Unlimited Tax School Building Bonds 2015	3.00% - 4.50%	4,960,000	4,960,000	-	75,000	4,885,000	105,000
Unlimited Tax Refunding Bonds 2016	2.00% - 4.00%	5,155,000	5,155,000	-	375,000	4,780,000	375,000
Unlimited Tax Refunding Bonds 2016A	2.00% - 4.00%	8,735,000	8,615,000	-	-	8,615,000	80,000
Total		\$ 48,055,000	\$ 29,799,000	\$ -	\$ 770,000	\$ 29,029,000	\$ 1,161,000

Year Ending August 31,	Debt Service Requirements Bonds Payable		
	Principal	Interest	Total Requirements
2018	\$ 1,161,000	\$ 1,064,770	\$ 2,225,770
2019	1,215,000	1,030,341	2,245,341
2020	1,245,000	995,319	2,240,319
2021	1,285,000	956,831	2,241,831
2022	1,330,000	913,354	2,243,354
2023-2027	6,868,000	3,810,700	10,678,700
2028-2032	5,625,000	2,557,475	8,182,475
2033-2037	5,500,000	1,431,063	6,931,063
2038-2042	3,450,000	565,426	4,015,426
2043-2045	1,350,000	87,338	1,437,338
Total	\$ 29,029,000	\$ 13,412,617	\$ 42,441,617

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Liabilities (Continued)

Unamortized Premiums/Gain on bonds for the year ended August 31, 2017 are as follows:

Description	Beginning Premiums/ Gains Outstanding	Premiums/ Gain on New Issues	Amortization Recognized	Ending Premiums/ Gain Outstanding	Due Within One Year
Unlimited Tax Refunding Bonds 2014	\$ 754,473	\$ -	\$ 44,648	\$ 709,825	\$ 25,465
Unlimited Tax School Building Bonds 2015	557,853	-	27,192	530,661	19,037
Unlimited Tax School Building Bonds and Refunding Bonds 2016A	917,624	-	7,351	910,273	34,527
Unlimited Tax Refunding Bonds 2016	547,684	-	74,583	473,101	44,527
Total Premiums	\$ 2,777,634	\$ -	\$ 153,774	\$ 2,623,860	\$ 123,556

On August 15, 2006 the District issued Unlimited Tax School Building Bonds, Series 2006 in the amount of \$10,000,000 which was used to (i) to pay for the construction, renovation, acquisition and equipment of school buildings, the purchase of the necessary sites for school buildings and the costs associated with the issuance of the bonds. The bonds and/or interest are payable February 15 and August 15 of each year, commencing August 15, 2007 and ending on February 15, 2036.

On September 1, 2008 the District issued Unlimited Tax School Building Bonds, Series 2008 in the amount of \$10,000,000 which was used to (i) to pay for the construction, renovation, acquisition and equipment of school buildings, the purchase of the necessary sites for school buildings and the costs associated with the issuance of the bonds. The bonds and/or interest are payable February 15 and August 15 of each year, commencing February 15, 2007 and ending on February 15, 2043.

On December 1, 2014 the District issued Unlimited Tax Refunding Bonds, Series 2014 in the amount of \$7,805,000 which was used to (i) to refund selected maturities of the District's outstanding Unlimited Tax Refunding Bonds, Series 2006 (the "Refunded Obligations") in order to lower the debt service requirements of the District and (ii) to pay the costs associated with the issuance of the bonds. The bonds and/or interest are payable February 15 and August 15 of each year, commencing February 15, 2015 and ending on February 15, 2030.

On January 27, 2015 the District issued Unlimited Tax Refunding Bonds, Series 2015 in the amount of \$1,400,000 which was used to (i) to refund selected maturities of the District's Maintenance and Tax Revenue Note, Series 2014 (the "Refunded Obligations") in order to lower the debt service requirements of the District and (ii) to pay the costs associated with the issuance of the bonds. The bonds and/or interest are payable February 15 and August 15 of each year, commencing February 15, 2016 and ending on February 15, 2024.

On April 1, 2015 the District issued Unlimited Tax School Building Bonds, Series 2016 in the amount of \$4,960,000 which was used to (i) to pay for the construction, renovation, acquisition and equipment of school buildings in the District and the purchase of new school buses, capitalized interest and the costs associated with the issuance of the bonds. The bonds and/or interest are payable February 15 and August 15 of each year, commencing February 15, 2016 and ending on February 15, 2045.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Liabilities (Continued)

On January 19, 2016 the District issued Unlimited Tax Refunding Bonds, Series 2016 in the amount of \$5,155,000 which was used to (i) to refund selected maturities of the District's outstanding Unlimited Tax Refunding Bonds, Series 2007 (the "Refunded Obligations") in order to lower the debt service requirements of the District and (ii) to pay the costs associated with the issuance of the bonds. The bonds and/or interest are payable February 15 and August 15 of each year, commencing August 15, 2016 and ending on February 15, 2028.

On June 21, 2016 the District issued Unlimited Tax School Building and Refunding Bonds, Series 2016A in the amount of \$8,735,000 which was used to (i) pay for the construction, renovation, acquisition and equipment of school buildings in the District and the purchase of new school buses, (ii) refund selected maturities of the District's outstanding Unlimited Tax School Building Bonds, Series 2008 (the "Refunded Obligations") in order to lower the debt service requirements of the District, and (iii) pay the costs associated with the issuance of the Bonds. The bonds and/or interest are payable February 15 and August 15 of each year, commencing August 15, 2016 and ending on February 15, 2043.

There are a number of limitations and restrictions contained in the general obligation bond indenture.

Capital Leases

On August 16, 2016, the District entered into a lease agreement as a lessee for financing the acquisition of equipment. This lease agreement qualifies as capital lease for accounting purposes and, therefore, have been recorded at the future minimum lease payment amounts due as of the inception date. Capital leases are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Beginning Balance	Issued/ Adjustments	Retired	Ending Balance	Due Within One Year
Dell Financial Services		\$ 251,300	\$ -	\$ 251,300	\$ 83,766	\$ 167,534	\$ 83,766

The annual requirements to amortize the capital leases payable as of August 31, 2017 including interest payments are as follows:

Year Ending August 31	Principal	Interest	Total Debt Service
2018	\$ 83,766	\$ -	\$ 83,766
2019	83,768	-	83,768
Total	\$ 167,534	\$ -	\$ 167,534

FABENS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Liabilities (Continued)

Accumulated Unpaid Leave

Upon retirement or death of certain employees, the District pays any accumulated unpaid leave in a lump cash payment to such employee or his/her estate. A summary of changes in the accumulated unpaid leave liability follows:

		<u>Accumulated Unpaid Leave</u>
Balance August 31, 2016	\$	337,979
Additions – New entrants and earnings		57,587
Deductions – Payments to participants		<u>39,064</u>
Balance August 31, 2017	\$	<u><u>356,502</u></u>

The actual liability may increase or decrease due to teachers moving into and out of the District, and either using or accumulating more personal leave or vacation leave. Additionally, the Board of Trustees may change the District’s policy with respect to accrued benefits.

Defined Benefit Pension Plan

Plan Description. Fabens Independent School 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. Detail information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/cafr2016.pdf>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

FABENS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Liabilities (Continued)

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.

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

	<u>Contribution Rates</u>	
	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's FY 2017 Employer Contributions		\$ 606,176
District's FY 2017 Member Contributions		\$ 1,312,133
District's FY 2017 NECE On-Behalf Contributions		\$ 792,985

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

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Liabilities (Continued)

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.

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 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 actuarial cost method as required by GASB 67
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-term Expected 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	3.50% to 9.50% including inflation
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.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Liabilities (Continued)

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

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

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Liabilities (Continued)

Best estimates of geometric real rates of return for each major asset class included in the TRS target asset allocation as of August 31, 2016 are summarized below:

Teacher Retirement System of Texas Asset Allocation and Long-term Expected Rate of Return As of August 31, 2016				
Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*	
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 Expectations			2.2%	
Alpha			1.0%	
Total	100.0%		8.7%	
<i>*The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.</i>				

FABENS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Liabilities (Continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the net pension liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Fabens Independent School District's proportionate share of the net pension liability.	\$ 10,473,359	\$ 6,767,209	\$ 3,623,644

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions. At August 31, 2017, the Fabens Independent School District reported a liability of \$6,767,209 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Fabens Independent School District. The amount recognized by Fabens Independent School 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 Fabens Independent School District were as follows:

FISD Proportionate share of the collective net pension liability	\$ 6,767,209
States proportionate share that is associated with FISD	9,412,606
Total	<u>\$ 16,179,815</u>

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

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0179081102% which was a decrease of 0.0019246898% 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, Fabens Independent School recognized pension expense of \$976,801 and revenue of \$792,985 for support provided by the State.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Liabilities (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 106,109	\$ 202,065
Changes in actuarial assumptions	206,252	187,578
Net difference between projected and actual investment earnings	573,033	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	813,718	389,575
Contributions paid to TRS subsequent to the measurement date	606,176	-
Total	\$ 2,305,288	\$ 779,218

\$606,176 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of August 31, 2016, 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 and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending August 31:	Pension Expense Amount
2018	\$ 151,568
2019	151,568
2020	517,077
2021	123,487
2022	20,615
2023	(44,421)

H. Retiree Health Plan

Plan Description. The Fabens Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment 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. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website <https://www.trs.texas.gov/Pages/Homepage.aspx> 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 at 1000 Red River Street, Austin, Texas 78701.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Retiree Health Plan (Continued)

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 established 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 .25% or greater than .75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and Active public school employee contribution rates were 1.0% and .65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at .55% for fiscal years 2017, 2016, and 2015.

Contributions made by the State, District, and staff members, for the years ended August 31, 2017, 2016, and 2015, are as follows:

For the year ended	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS	Staff Members' Contributions to TRS
August 31, 2017	\$ 211,725	\$ 93,422	\$ 110,408
August 31, 2016	168,804	92,844	109,723
August 31, 2015	169,233	93,078	110,001

I. Risk Management and Self-Insurance

Fabens Independent School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; to employees; and natural disasters. The Board maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, dishonesty, errors and omissions, boiler and machinery, personal property, and general liability. There have been no significant reductions in insurance coverage from prior years and settlements did not exceed insurance coverage for each of the past three years.

Health Insurance

During the fiscal year ended August 31, 2017, employees of the District were covered by the District's medical self-insurance Plan ("The Plan"). The District contributed approximately \$225 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents or increased coverage. Claims were paid by a third party administrator acting on behalf of the District. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. There were no other liabilities associated with the Plan.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

J. Unearned Revenue

Unearned revenue at year end for the governmental funds consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
EDA/IFA	\$ 200,639	\$ -	\$ -	\$ 200,639
State Grants	-	-	27,307	27,307
Other	-	6,884	-	6,884
	<u>\$ 200,639</u>	<u>\$ 6,884</u>	<u>\$ 27,307</u>	<u>\$ 234,830</u>

K. Deferred Inflows of Resources

Deferred Inflows of Resources at year end for the governmental funds consisted of the following:

	General Fund	Debt Service Fund	Total
Property taxes	<u>\$ 51,330</u>	<u>\$ 14,313</u>	<u>\$ 65,643</u>

L. Receivables from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal, state, and other governments as of August 31, 2017, are summarized below. A majority of federal grants shown below are passed through the TEA and are reported on the financial statements as receivables from other governments.

	General Fund	ESEA I, A Improving Basic Program	Debt Service Fund	Nonmajor Governmental Funds	Total
State Grants	<u>\$ 30,816</u>	<u>\$ 270,643</u>	<u>\$ 264,700</u>	<u>\$ 247,520</u>	<u>\$ 813,679</u>
	<u>\$ 30,816</u>	<u>\$ 270,643</u>	<u>\$ 264,700</u>	<u>\$ 247,520</u>	<u>\$ 813,679</u>

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

M. Revenue from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 1,689,478	\$ 475,121	\$ -	\$ -	\$ 2,164,599
Penalties, Interest and Other Tax Related Income	35,993	8,938	-	-	44,931
Investment Income	15,831	5,000	8,352	-	29,183
Food Service Activity	19,304	-	-	-	19,304
Athletic Activities	460,556	-	-	-	460,556
Services to Other Districts	-	-	-	172,317	172,317
Rent	2	-	-	-	2
Co-Curricular Student Activities	5,582	-	-	16,793	22,375
Total	<u>\$ 2,226,746</u>	<u>\$ 489,059</u>	<u>\$ 8,352</u>	<u>\$ 189,110</u>	<u>\$ 2,913,267</u>

N. Litigation

The District is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material effect on the accompanying basic financial statements and accordingly, no provision has been accrued.

O. Construction and other Significant Commitments and Contingencies

The District did not have active construction projects as of August 31, 2017.

Federal and State Funding - The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2017 may be impaired. In the opinion of administration, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statement for such contingencies.

P. Related Party Transactions

From time to time, the District may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred during the 2016-2017 fiscal year.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

Q. Fund Balances

The District has reserved fund balances for the following purposes:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	\$ 33,986	\$ -	\$ -	\$ -	\$ 33,986
Restricted:					
Federal or State Funds					
Grant Restriction	426,103	-	-	14,539	440,642
Capital Acquisition and Contractual Obligation	-	-	293,400	-	293,400
Assigned:					
Retirement of Loans or Notes Payable					
	-	200,412	-	-	200,412
Other Assigned Fund Balance	-	-	-	9,764	9,764
Unassigned	717,096	-	-	(45,686)	671,410
Total fund balances	<u>\$ 1,177,185</u>	<u>\$ 200,412</u>	<u>\$ 293,400</u>	<u>\$ (21,383)</u>	<u>\$ 1,649,614</u>

The General Fund includes fund balances for Inventory and Food Service as follows:

	Inventory	Food Service	Total
Balance August 31, 2016	\$ 34,397	\$ 368,250	\$ 402,647
Change in fund balance	(411)	57,853	57,442
Balance August 31, 2017	<u>\$ 33,986</u>	<u>\$ 426,103</u>	<u>\$ 460,089</u>

R. School Health and Related Services (SHARS)

SHARS is a Medicaid financing program and allows local school districts to obtain Medicaid reimbursement for certain health-related services provided to students in special education. As SHARS settle-up amounts are usually calculated and received in more than one year and the district does not have adequate information to make an estimate of the receivable on the government-wide financial statements, the receivable and related revenues are recorded in the fiscal year settle-up amounts are received, unless the prior fiscal year's audit has not been issued.

SHARS receivable and revenue recorded in the current year related to prior years' settle-up amounts is \$305,121.

S. Budget Variances – General Fund

Overall, the District operated within the approved budget for the general fund.

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

IV. DETAILED NOTES ON ALL FUNDS (Continued)

T. Net Position Restatement

The District has a prior period adjustment of \$264,700 which was required for correcting the prior period balance of accounts receivable and revenue. The Texas Education Agency did not include a debt payment related to the Series 2016 refunding bond during the calculation of the 2015-2016 EDA and IFA allotments, which resulted in an underpayment to the District in the prior year.

U. Subsequent Events

The District has evaluated events subsequent to August 31, 2017 that would possibly require adjustment or disclosure in these financial statements, through April 6, 2018, the date that these statements were available to be issued. There were no events identified that require adjustment or disclosure as of August 31, 2017.

V. Subsequent Pronouncements

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended August 31, 2018. The District is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85 *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The District is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

FABENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,007,124	\$ 2,321,683	\$ 2,226,746	\$ (94,937)
5800	State Program Revenues	19,025,756	19,125,415	18,772,657	(352,758)
5900	Federal Program Revenues	1,492,806	1,492,806	1,480,866	(11,940)
5020	Total Revenues	22,525,686	22,939,904	22,480,269	(459,635)
EXPENDITURES:					
Current:					
0011	Instruction	12,469,390	12,595,324	12,368,558	226,766
0012	Instructional Resources and Media Services	274,821	276,821	276,512	309
0013	Curriculum and Instructional Staff Development	86,790	94,590	93,180	1,410
0021	Instructional Leadership	170,253	191,253	189,655	1,598
0023	School Leadership	1,440,601	1,418,801	1,415,506	3,295
0031	Guidance, Counseling and Evaluation Services	799,677	813,677	812,777	900
0032	Social Work Services	36,519	36,519	33,541	2,978
0033	Health Services	323,799	320,799	317,893	2,906
0034	Student (Pupil) Transportation	415,611	394,375	387,077	7,298
0035	Food Services	1,358,038	1,358,038	1,269,035	89,003
0036	Extracurricular Activities	860,749	991,813	984,462	7,351
0041	General Administration	1,122,242	1,175,093	1,164,128	10,965
0051	Facilities Maintenance and Operations	2,484,385	2,734,990	2,633,462	101,528
0052	Security and Monitoring Services	299,540	299,540	296,784	2,756
0053	Data Processing Services	213,221	234,221	232,750	1,471
0061	Community Services	39,050	18,050	16,878	1,172
Debt Service:					
0071	Principal on Long-term Debt	85,000	85,000	83,766	1,234
Capital Outlay:					
0081	Facilities Acquisition and Construction	15,000	87,692	184,025	(96,333)
Intergovernmental:					
0099	Other Intergovernmental Charges	31,000	32,236	32,236	-
6030	Total Expenditures	22,525,686	23,158,832	22,792,225	366,607
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(218,928)	(311,956)	(93,028)
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(34,338)	(34,338)
1200	Net Change in Fund Balances	-	(218,928)	(346,294)	(127,366)
0100	Fund Balance - September 1 (Beginning)	1,523,479	1,523,479	1,523,479	-
3000	Fund Balance - August 31 (Ending)	\$ 1,523,479	\$ 1,304,551	\$ 1,177,185	\$ (127,366)

FABENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2017

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.01790811%	0.0198328%	0.155416%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,767,209	\$ 7,010,631	\$ 4,151,377
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	9,412,606	9,182,430	8,203,939
Total	<u>\$ 16,179,815</u>	<u>\$ 16,193,061</u>	<u>\$ 12,355,316</u>
District's Covered-Employee Payroll	\$ 17,040,680	\$ 16,880,401	\$ 17,103,249
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	39.71%	41.53%	24.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FABENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2017

	2017	2016	2015
Contractually Required Contribution	\$ 606,176	\$ 590,529	\$ 587,240
Contribution in Relation to the Contractually Required Contribution	606,176	590,529	587,240
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 18,474,051	\$ 17,040,680	\$ 16,880,401
Contributions as a Percentage of Covered-Employee Payroll	3.28%	3.47%	3.48%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

Changes of benefit terms.

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

Changes of assumptions.

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

Economic Assumptions

1. The inflation assumption was 2.50%.
2. The ultimate merit assumption for long-service employees was 1.00%.
3. There were no adjustments in the service- based promotional/longevity component of the salary scale.
4. The payroll growth assumption was 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. There were no adjustments to the termination patterns for members consistent with experience and future expectations.

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SUPPLEMENTARY INFORMATION

FABENS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2017

Data Control Codes	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	242 Summer Feeding Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ 70,226	\$ 10,411	\$ -	\$ 14,539
1240	Receivables from Other Governments	149,821	49,602	228	-
1000	Total Assets	<u>\$ 220,047</u>	<u>\$ 60,013</u>	<u>\$ 228</u>	<u>\$ 14,539</u>
LIABILITIES					
2110	Accounts Payable	\$ 62,873	\$ 1,341	\$ -	\$ -
2160	Accrued Wages Payable	7,353	10,411	-	-
2170	Due to Other Funds	149,821	48,261	228	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>220,047</u>	<u>60,013</u>	<u>228</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	14,539
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,539</u>
4000	Total Liabilities and Fund Balances	<u>\$ 220,047</u>	<u>\$ 60,013</u>	<u>\$ 228</u>	<u>\$ 14,539</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer LEP	409 High School Completion and Success	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ 9,143	\$ -	\$ -	\$ -	\$ 27,307	\$ 14,009	\$ 10,341
1,393	23,861	1,802	-	-	-	20,813	-
<u>\$ 1,393</u>	<u>\$ 33,004</u>	<u>\$ 1,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,307</u>	<u>\$ 34,822</u>	<u>\$ 10,341</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,481	\$ 577
-	10,149	-	-	-	-	2,739	-
1,393	22,855	1,802	-	-	-	20,602	-
-	-	-	-	-	27,307	-	-
<u>1,393</u>	<u>33,004</u>	<u>1,802</u>	<u>-</u>	<u>-</u>	<u>27,307</u>	<u>34,822</u>	<u>577</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	9,764
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	9,764
<u>\$ 1,393</u>	<u>\$ 33,004</u>	<u>\$ 1,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,307</u>	<u>\$ 34,822</u>	<u>\$ 10,341</u>

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FABENS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2017

Data Control Codes	499 Cotton Valley Early College High School	Total Nonmajor Governmental Funds
ASSETS		
1110	Cash and Cash Equivalents	\$ - \$ 155,976
1240	Receivables from Other Governments	- 247,520
1000	Total Assets	<u>\$ - \$ 403,496</u>
LIABILITIES		
2110	Accounts Payable	\$ - \$ 76,272
2160	Accrued Wages Payable	2,031 32,683
2170	Due to Other Funds	43,655 288,617
2300	Unearned Revenues	- 27,307
2000	Total Liabilities	<u>45,686 424,879</u>
FUND BALANCES		
Restricted Fund Balance:		
3450	Federal or State Funds Grant Restriction	- 14,539
Assigned Fund Balance:		
3590	Other Assigned Fund Balance	- 9,764
3600	Unassigned Fund Balance	(45,686) (45,686)
3000	Total Fund Balances	<u>(45,686) (21,383)</u>
4000	Total Liabilities and Fund Balances	<u>\$ - \$ 403,496</u>

FABENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
 FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	242 Summer Feeding Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	410,059	379,357	7,500	17,882
5020 Total Revenues	410,059	379,357	7,500	17,882
EXPENDITURES:				
Current:				
0011 Instruction	121,606	182,276	7,500	-
0013 Curriculum and Instructional Staff Development	-	5,432	-	-
0021 Instructional Leadership	220,617	13,903	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	176,034	-	-
0032 Social Work Services	-	383	-	-
0033 Health Services	-	1,299	-	-
0035 Food Services	-	-	-	16,371
0051 Facilities Maintenance and Operations	-	-	-	1,511
0061 Community Services	67,836	30	-	-
6030 Total Expenditures	410,059	379,357	7,500	17,882
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	14,539
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 14,539

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer LEP	409 High School Completion and Success	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	16,793
-	-	-	-	-	96,156	51,241	-
45,752	204,273	63,137	2,330	-	-	-	-
45,752	204,273	63,137	2,330	-	96,156	51,241	16,793
45,752	194,808	63,137	2,330	-	96,156	51,241	16,543
-	-	-	-	-	-	-	-
-	6,957	-	-	-	-	-	200
-	2,508	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	50
-	-	-	-	-	-	-	-
45,752	204,273	63,137	2,330	-	96,156	51,241	16,793
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	9,764
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	9,764

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FABENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
 FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	499 Cotton Valley Early College High School	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 172,317	\$ 189,110
5800 State Program Revenues	-	147,397
5900 Federal Program Revenues	-	1,130,290
5020 Total Revenues	<u>172,317</u>	<u>1,466,797</u>
EXPENDITURES:		
Current:		
0011 Instruction	195,311	976,660
0013 Curriculum and Instructional Staff Development	-	5,432
0021 Instructional Leadership	-	234,720
0023 School Leadership	22,692	29,649
0031 Guidance, Counseling and Evaluation Services	-	178,542
0032 Social Work Services	-	383
0033 Health Services	-	1,299
0035 Food Services	-	16,371
0051 Facilities Maintenance and Operations	-	1,561
0061 Community Services	-	67,866
6030 Total Expenditures	<u>218,003</u>	<u>1,512,483</u>
1200 Net Change in Fund Balance	(45,686)	(45,686)
0100 Fund Balance - September 1 (Beginning)	-	24,303
3000 Fund Balance - August 31 (Ending)	<u>\$ (45,686)</u>	<u>\$ (21,383)</u>

FABENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2017

	816	817	Total
	Cook	T.A. Pollan	Private
	Memorial	Money Fund	Purpose
			Trust Funds
ASSETS			
Cash and Cash Equivalents	\$ 9,309	\$ -	\$ 9,309
Long-term Investments	-	8,837	8,837
Total Assets	<u>9,309</u>	<u>8,837</u>	<u>18,146</u>
NET POSITION			
Restricted for Scholarships	<u>9,309</u>	<u>8,837</u>	<u>18,146</u>
Total Net Position	<u>\$ 9,309</u>	<u>\$ 8,837</u>	<u>\$ 18,146</u>

FABENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

	816	817	Total Private Purpose Trust Funds
	Cook Memorial	T.A. Pollan Money Fund	
ADDITIONS:			
Local and Intermediate Sources	\$ 25	\$ 88	\$ 113
Total Additions	<u>25</u>	<u>88</u>	<u>113</u>
DEDUCTIONS:			
Supplies and Materials	-	155	155
Other Operating Costs	500	500	1,000
Total Deductions	<u>500</u>	<u>655</u>	<u>1,155</u>
Change in Net Position	(475)	(567)	(1,042)
Total Net Position - September 1 (Beginning)	<u>9,784</u>	<u>9,404</u>	<u>19,188</u>
Total Net Position - August 31 (Ending)	<u>\$ 9,309</u>	<u>\$ 8,837</u>	<u>\$ 18,146</u>

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T.E.A. REQUIRED SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.040000	0.218800	124,710,850
2010	1.040000	0.212900	133,254,382
2011	1.040000	0.198100	135,739,181
2012	1.040000	0.198100	149,367,822
2013	1.040000	0.221900	158,567,319
2014	1.040000	0.221900	150,916,713
2015	1.040000	0.221900	164,053,412
2016	1.040000	0.290300	161,161,618
2017 (School year under audit)	1.040000	0.294000	163,276,559
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 162,584	\$ -	\$ 1,633	\$ 429	\$ (806)	\$ 159,716
13,998	-	206	43	-	13,749
13,762	-	271	57	-	13,434
14,041	-	637	130	-	13,274
18,927	-	2,096	399	(105)	16,327
19,117	-	4,917	937	2,015	15,278
23,060	-	7,384	1,576	1,989	16,089
33,393	-	12,424	2,651	3,628	21,946
76,266	-	21,833	4,658	(15,879)	33,896
-	2,162,823	1,592,762	450,262	(32,225)	87,574
<u>\$ 375,148</u>	<u>\$ 2,162,823</u>	<u>\$ 1,644,163</u>	<u>\$ 461,142</u>	<u>\$ (41,383)</u>	<u>\$ 391,283</u>

FABENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 29,328	\$ 29,328	\$ 19,304	\$ (10,024)
5800 State Program Revenues	8,500	8,500	8,560	60
5900 Federal Program Revenues	1,362,710	1,362,710	1,361,636	(1,074)
5020 Total Revenues	1,400,538	1,400,538	1,389,500	(11,038)
EXPENDITURES:				
0035 Food Services	1,358,038	1,358,038	1,305,931	52,107
0041 General Administration	7,500	7,500	3,512	3,988
0051 Facilities Maintenance and Operations	35,000	35,000	22,615	12,385
6030 Total Expenditures	1,400,538	1,400,538	1,332,058	68,480
1200 Net Change in Fund Balances	-	-	57,442	57,442
0100 Fund Balance - September 1 (Beginning)	402,647	402,647	402,647	-
3000 Fund Balance - August 31 (Ending)	\$ 402,647	\$ 402,647	\$ 460,089	\$ 57,442

COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Fabens Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fabens 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 April 6, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item FS 2017-001, that we consider to be a significant deficiency.

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 District's Response to Finding

The District's response to the finding identified in our audit is described in the accompany schedule of findings and questions costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
El Paso, Texas
April 6, 2018

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Board of Trustees
Fabens Independent School District

Report on Compliance for Each Major Federal Program

We have audited Fabens Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs, for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

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

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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item FA 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as FA 2017-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
El Paso, Texas
April 6, 2018

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Navy JROTC	12.000	N/A	\$ 71,512
Total Direct Programs			<u>71,512</u>
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>71,512</u>
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
Title I Grants to Local Educational Agencies	84.010A	17610101071903	1,478,682
Title I Grants to Local Educational Agencies	84.010	17610112071903000	43,182
Migrant Education - State Grant Programs	84.011	17615001071903	365,032
*Special Education Grants to States	84.027	176600010719036600	389,522
*Special Education Preschool Grants	84.173	17610010719036610	7,728
Total Special Education Cluster (IDEA)			<u>397,250</u>
Career & Technical Education-Basic Grants to State	84.048	17420006071903	47,144
English Language Acquisition State Grants	84.365A	17671001071903	64,400
Supporting Effective Instruction State Grants	84.367A	17694501071903	203,364
Grants for State Assessments & Related Activities	84.369A	S369A150045	2,330
Total Passed Through State Department of Education			<u>2,601,384</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,601,384</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*National School Breakfast Program	10.553	201717N109946	303,308
*National School Lunch Program - Cash Assistance	10.555	201717N109946	948,558
*National School Lunch Program- Non-Cash Assistance	10.555	201717N109946	109,771
Total CFDA Number 10.555			<u>1,058,329</u>
*Summer Food Service Program - Cash Assistance	10.559	2017-071903	17,882
Total Child Nutrition Cluster			<u>1,379,519</u>
Total Passed Through the State Department of Agriculture			<u>1,379,519</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,379,519</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,052,415</u>

*Clustered Programs

The District contributed \$0 to subrecipients during the year.

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

1. For all federal programs, the District uses the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*. 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, if balances have not been expended by the end of the project period, grantors may require the District to refund all or part of the unused amount.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. 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 fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and 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 deferred revenues until earned. Due to the nature of the reporting process for the SHARS program, the District recognizes SHARS revenue upon receipt of the reimbursement notice from the granting agency.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project ending date, in accordance with provisions in Section H, Period of Performance Part 3, OMB Compliance Supplement – June 2017.
4. CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs: the National School Breakfast Program (CFDS 10.553), National School Lunch Program (CFDA 10.555) and the Summer Food Service Program (CFDA 10.559). USDA deleted this number (10.550) from the CFDA on May 6, 2008. Effective this date, Fabens Independent School District will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.
5. The District did not expend federal awards related to loans or loan guarantees during year.
6. The District did not elect to use the allowed 10% indirect cost rate.
7. The District has no federally funded insurance as of August 31, 2017.

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

8. Of the federal expenditures presented in the schedule, the District accounted for certain funds in the General Fund as follows:

Program Title	Federal CFDA Number	Amount
NJROTC	12.000	\$ 71,512
USDA Commodities	10.555	109,771
National School Breakfast Program	10.553	303,308
National School Lunch Program	10.555	<u>948,558</u>
Exhibit C-3, General Fund		<u>\$ 1,433,149</u>

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FABENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2017

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|---|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements: | No |

Federal Awards:

- | | |
|--|------------|
| 1. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified that is not considered to be material weaknesses? | Yes |
| 2. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | Yes |
| 4. Major Federal Programs: | |

<u>CFDA Number</u>	<u>Federal Program</u>
CFDA 10.553, 10.555, and 10.559	Child Nutrition Cluster
CFDA 84.011	Migrant Education - State Grant Programs

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B federal programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

FABENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

B. FINANCIAL STATEMENT FINDINGS

FS 2017-001 Capital Assets – Significant Deficiency

Condition:

- The District uses Microsoft Excel to track capital assets and does not have an adequate accounting system to track asset information.
- Several adjustments were required to be proposed to the District's capital asset listing that were identified through audit work and not by the District based on items identified through review of predecessor auditor work papers and recalculation of depreciation expenses.

Criteria: The COSO 2013 Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Good accounting practices require the District to implement and follow sound accounting and internal control policies and procedures. The lack of records available for management review, audit and reporting results in an inability to determine where and how District funds are utilized.

Effect: Assets are more susceptible to being misclassified, and this may result in material misstatements of financial information if they have not been accounted for properly.

Cause: The District did not regularly update their capital asset listing throughout the year.

Auditors' Recommendations: CRI recommends that the District work to obtain a capital asset software sufficient to meet its needs for proper recording as well as maintaining the asset listing throughout the entire year to ensure that they have all been accounted for at year end. Repairs and maintenance and other activity should be reviewed at least monthly to ensure correct posting to accounts and entries made to reclassify items posted incorrectly.

Views of Responsible Officials and Planned Corrective Action: In an effort to ensure and maintain capital assets, Fabens ISD will move forward in obtaining a software that meets the needs for proper recording. In addition, any maintenance and repairs will be scheduled for review on a monthly basis. Our goal is to be in compliance and this will ensure up to date postings to accounts and entries.

FABENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2017-001 Segregation of Duties - Significant Deficiency

Federal Program Information:

Funding Agency:	U.S. Department of Education
Pass Through Agency:	Texas Education Agency
Title:	Migrant Education - State Grant Programs
CFDA Number:	84.011
Federal Award Identification Number:	17615001071903
Award Year:	2016-2017

Condition: The District did not consistently provide independent review and approval of Migrant Education expenditures, as personnel charged with initiation and approval of the expenditures are related to each other. Expenditures are not subject to independent review and approval.

Criteria: Per Title 2 U.S. Code of Federal Regulations Part 200.303, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards. (c) Evaluate and monitor the non-Federal entity’s compliance with statute, regulations and the terms and conditions of Federal awards. (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings. (e) Take reasonable measures to safe-guard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality. In addition The COSO 2013 Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Good accounting practices require the District to implement and follow sound accounting and internal control policies and procedures.

Questioned costs: None

Effect: The District is not in compliance with Uniform Grant Guidance requirements to establish effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes.

Cause: The District did not require all Migrant Education expenditures be approved by an unrelated party.

FABENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

FA 2017-001 Segregation of Duties - Significant Deficiency (Continued)

Auditors' Recommendation: We recommend the District require all expenditure be approved by an unrelated party and that the District policies be updated to include that no employee shall approve expenditures initiated by a member or his or her own family.

Views of Responsible Officials and Planned Corrective Action: Following the Uniform Guidance requirements, the District has taken prompt action and placed internal controls for federal awards to ensure compliance with Federal statutes. Therefore, all expenditures are to be approved by Superintendent/unrelated party. Furthermore, the District will move forward by updating policies to include that no employee shall approve expenditures initiated by a member of his or her own family.

FABENS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior year audit findings.

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FABENS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION CONTACT
FOR THE YEAR ENDED AUGUST 31, 2017

CORRECTIVE ACTION CONTACT	Title
Eldefonso Garcia, Jr.	Superintendent
Gilbert Alarcon	Assistant Superintendent of Finance