

FABENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND  
COMPLIANCE REPORT  
FOR THE YEAR ENDED  
AUGUST 31, 2018



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS



FABENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2018

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CERTIFICATE OF BOARD

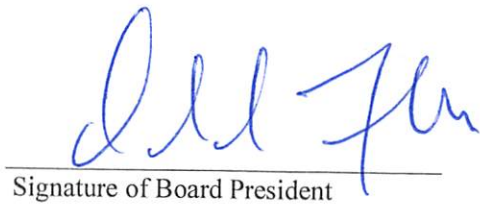
Fabens Independent School District  
Name of School District

El Paso  
County

071-903  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) XX approved \_\_\_\_\_ disapproved for the year ended August 31, 2018, at a meeting of the Board of Trustees of such school district on the 16th day of January, 2019.

  
Signature of Board Secretary

  
Signature of Board President

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

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
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 as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 Fabens Independent School District as of August 31, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section which precedes the basic financial statements and the pension and other post-employment benefits related schedules following the notes to the financial statements 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*

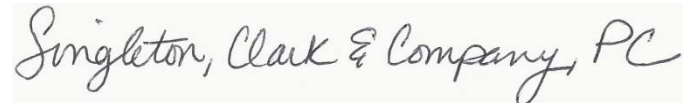
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fabens Independent School District's basic financial statements. The combining statements of individual nonmajor funds and the Texas Education Agency required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements of individual nonmajor funds, the Texas Education Agency required schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, the Texas Education Agency required schedules, 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.

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## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018 on our consideration of Fabens Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fabens Independent School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Singleton, Clark & Company, PC". The signature is written in black ink on a light-colored background.

Singleton, Clark & Company, PC  
Cedar Park, Texas

December 21, 2018

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FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Fabens Independent School District (the "District") discuss and analyze the financial performance of the District for the fiscal year ended August 31, 2018. Please read this information in conjunction with the District's basic financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's net position for governmental activities increased by \$3,249,130 as a result of this year's current operations, to end at (\$12,965,483). The ending net position also includes an accounting standard implementation restatement of (\$17,158,253) and a prior period adjustment related to capital assets of (\$3,062,627).
- Total governmental funds of the District (the General Fund plus all Special Revenue Funds, the Capital Projects Fund, and the Debt Service Fund) reported an overall fund balance decrease of \$633,896, to end at \$1,015,718.
- The General Fund of the District reported a fund balance decrease of \$425,703 for the year, to end at \$705,796.

### OVERVIEW OF THE FINANCIAL SECTION

The Financial Section is the most substantial part of this Annual Financial and Compliance Report. It consists of the independent auditor's report, management's discussion and analysis (this section), a set of basic financial statements with required note disclosures, and finally, required supplementary information and other supporting statements and schedules as applicable.

#### Independent Auditor's Report

State law requires the District's financial statements to be audited by an independent certified public accountant each year. The primary purpose of the annual audit is for the auditor to express an opinion as to whether the financial statements of the District appear to be free from material misstatement. The audit is required to be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The District received an *Unmodified* opinion on its financial statements this year.

#### Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) section of the report is intended to introduce the financial statements and to provide discussion and analysis regarding the financial performance of the District during the year. The MD&A is written by management of the District and provides for a less formal presentation of the financial activities of the District than is found within the basic financial statements themselves.

#### Basic Financial Statements

The Basic Financial Statements consist of a series of financial statements and required note disclosures. These statements include government-wide financial statements which present the District in a consolidated and long-term manner using full-accrual accounting similar to that of a business enterprise, and fund financial statements which present a more detailed view of the District using a more short-term view and traditional modified-accrual governmental accounting. These financial statements are followed with detailed notes which provide narrative explanations and additional data for full disclosure of information.

FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018

Required Supplementary Information

The previously discussed Management's Discussion and Analysis section is considered to be required supplementary information, however, the governmental reporting framework requires that it be presented before the financial statements. When applicable, additional required supplementary information must follow the financial statements. Within this financial report, the District presents required schedules related to its participation in the Teacher Retirement System of Texas pension plan and retiree health insurance benefits.

Combining and Individual Fund Statements and Schedules

The combining statements provide detailed information about the District's nonmajor funds. While the primary financial statements present the nonmajor funds in a consolidated manner, the combining statements list all of the nonmajor funds separately, each in its own column. In addition, this section also includes schedules required by the Texas Education Agency to report tax collection information and budget to actual information for the District's debt service and child nutrition functions.

**OVERVIEW OF THE FEDERAL AWARDS SECTION**

Report on Internal Controls and Compliance

In accordance with *Government Auditing Standards*, the auditor is required consider the internal controls the District has in place over financial reporting and whether any noncompliance with rules, laws, and regulations was noted during the audit. This report describes the scope of the testing of internal control and compliance, however it does not provide an opinion on the effectiveness of internal control or on compliance.

Report on Compliance and Internal Control for Each Major Program

Because the District expended more than \$750,000 in federal grant awards, an additional independent auditor's report on compliance and internal control over the District's major federal grant programs was required. This report provides an opinion by the independent audit firm that the District complied, in all material respects, with the requirements applicable to the federal grants received and expended.

Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards (SEFA) provides a detailed listing of the federal grant awards received by the District during the year. This listing includes federal grant names, identification numbers, and amounts expended.

Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs provides an overall summary of auditor results, including identification of the type of opinion on the financial statements, whether any significant deficiencies or material weaknesses in internal controls were observed by the audit firm, and whether any material noncompliance was noted. This schedule also lists information related to the audit of the District's major federal programs and lists any audit findings reported by the audit firm for the year.

FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018

## 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 with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial 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 the State of Texas 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.

The Statement of Net Position and the Statement of Activities report the District's net position and changes in net position. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health. 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, school districts divide up their financial activities as follows:

- Governmental activities – School districts report basic services here, including the instruction of students, counseling, co-curricular activities, child nutrition services, transportation, maintenance, community services, and general administration. Property taxes, state block grants based on student attendance and demographics, and other state and federal grants finance most of these activities.
- Business-type activities – School districts may charge a fee to "customers" to help it cover all or most of the cost of services it provides for child care programs or other activities that closely model a business venture.

Our District reported governmental activities this year, however, we did not engage in business-type activities.

FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018

## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

The fund financial statements follow the government-wide statements and provide detailed information about the most significant funds of the District, not the District as a whole. Laws and regulations require the District to establish separate funds, such as for grants received from the state and federal government, money received from bond issues for capital projects, or for money raised specifically for debt service purposes, in order to clearly display financial accountability for use of these funds.

School districts use two different kinds of funds for operations, governmental funds and proprietary funds, which use different accounting approaches.

- A school district will use *governmental funds* to account for basic services. 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 schedules following each of the fund financial statements.
- A school district will use *proprietary funds* to account for the activities for which it charges users (whether outside customers or other units of the district). Proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, when a district utilizes enterprise funds, (one category of proprietary funds) these are the business-type activities reported in the government-wide statements but they contain more detail and additional information, such as cash flows. Internal service funds (the other category of proprietary funds) report activities that provide supplies and services for a district's other programs and activities, such as a district's self-insurance programs.

Our District reported several governmental funds this year, however, we did not utilize proprietary funds.

## The District as Trustee

### *Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages that follow the governmental fund financial statements. 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 however responsible for applying sound financial internal controls over these funds and for ensuring that these resources are used for their intended purposes.

FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$4,006,267 to \$(12,965,483). 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 \$(19,024,757) at August 31, 2018. The decrease in net position is due primarily to the implementation of a new accounting standard which required a net position restatement of (\$17,158,253). The new accounting standard relates to the accounting for other post-employment benefits for District retirees. Additionally, a prior period net position decrease of (\$3,062,627) was also recorded related to a change in capital assets.

**Table I**  
**FABENS INDEPENDENT SCHOOL DISTRICT**  
**NET POSITION**

	Governmental Activities 2018	Governmental Activities 2017	Change
Current & Other Assets	\$ 3,227,549	\$ 3,130,752	\$ 96,797
Capital Assets	35,753,970	39,753,857	(3,999,887)
Deferred Outflows	2,610,603	2,305,288	305,315
Total Assets and Deferred Outflows	<u>41,592,122</u>	<u>45,189,897</u>	<u>(3,597,775)</u>
Current Liabilities	2,128,037	37,575,783	(35,447,746)
Long-Term Liabilities	46,229,714	2,828,629	43,401,085
Deferred Inflows	6,199,854	779,218	5,420,636
Total Liabilities and Deferred Inflows	<u>54,557,605</u>	<u>41,183,630</u>	<u>13,373,975</u>
Net Position:			
Net Investment in Capital Assets	5,312,672	7,933,463	(2,620,791)
Restricted	746,602	934,454	(187,852)
Unrestricted	(19,024,757)	(4,861,650)	(14,163,107)
Total net position	<u><u>\$(12,965,483)</u></u>	<u><u>\$ 4,006,267</u></u>	<u><u>\$(16,971,750)</u></u>

FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018

**Table II**  
**FABENS INDEPENDENT SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**

	Governmental Activities 2018	Governmental Activities 2017	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 59,085	\$ 674,554	\$ (615,469)
Operating Grants & Contributions	730,758	5,074,793	(4,344,035)
General Revenues:			
Maintenance & Operations Taxes	2,027,751	1,567,685	460,066
Debt Service Taxes	536,551	443,794	92,757
State Aid - Formula Grants	17,873,436	19,064,545	(1,191,109)
Grants & Contributions not Restr.	1,492,249	-	1,492,249
Investment Earnings	54,516	29,182	25,334
Miscellaneous	117,702	-	117,702
Total Revenue	<u>22,892,048</u>	<u>26,854,553</u>	<u>(3,962,505)</u>
Expenses:			
Instruction	10,083,338	15,984,662	(5,901,324)
Instr. Resources & Media Services	179,119	297,277	(118,158)
Curriculum and Staff Development	123,350	262,694	(139,344)
Instructional Leadership	324,241	456,908	(132,667)
School Leadership	902,054	1,582,451	(680,397)
Guidance/Counseling Services	675,330	1,073,972	(398,642)
Social Work/Health Services	21,447	36,218	(14,771)
Health Services	200,768	347,671	(146,903)
Student Transportation	293,862	417,845	(123,983)
Food Services	1,281,586	1,332,286	(50,700)
Cocurricular/Extracurricular Act.	833,737	1,039,215	(205,478)
General Administration	892,875	1,253,912	(361,037)
Plant Maintenance and Operations	2,417,467	2,736,712	(319,245)
Security and Monitoring Services	203,409	319,193	(115,784)
Data Processing Services	155,644	247,705	(92,061)
Community Services	82,035	91,589	(9,554)
Debt Service	935,731	937,311	(1,580)
Other Intergovernmental Charges	36,925	32,236	4,689
Total Expenses	<u>19,642,918</u>	<u>28,449,857</u>	<u>(8,806,939)</u>
Change in Net Position	<u>3,249,130</u>	<u>(1,595,304)</u>	<u>4,844,434</u>
Net Position at 9/1/17 (restated) and 9/1/16	(13,151,986)	5,601,571	(18,753,557)
Prior Period Adjustment	(3,062,627)	-	(3,062,627)
Net Position at 8/31/18 and 8/31/17	<u>\$ (12,965,483)</u>	<u>\$ 4,006,267</u>	<u>\$ (16,971,750)</u>

FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018

**THE DISTRICT'S FUNDS**

As the District completed this annual period, the General Fund reported a fund balance of \$705,796, which is \$471,389, composed of net change decrease of \$425,703 and a prior period adjustment of (\$45,686), less than last year's total of \$1,177,185. The decrease in fund balance is mainly attributable to lower than expected state revenue and higher than budgeted expenditures.

The District's Debt Service fund reported a fund balance of \$289,807 which is \$89,395 more than last year's total of \$200,412. The Debt Service fund balance was more at August 31, 2018, as compared to the prior year end, due to greater than budgeted revenue for the year. The purpose of the Debt Service Fund is to provide for the payment of bond principal and interest payments as it becomes due.

The District's other governmental funds reported combined ending fund balances of \$20,115. This combined balance is \$251,902 (including a prior period adjustment of \$45,686) less than the previous year. The primary reason for this change in the combined fund balance was expenditures in the Capital Projects Fund.

Over the course of the year, the Board of Trustees generally revises the District's budget based on financial updates provided by management of the District. These amendments involve moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs, or to react to originally unforeseen circumstances, such as unanticipated new revenues or unavoidable new costs. None of the budget amendments made during the year were considered significant.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of August 31, 2018, the District had \$35,753,970 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

A summary of the ending balances of capital assets by major category for both 2018 and 2017 is as follows:

	Governmental Activities 2018	Governmental Activities 2017	Change
Land	\$ 636,697	\$ 636,697	\$ -
Buildings	61,416,588	63,955,455	(2,538,867)
Furniture and Equipment	6,054,620	4,972,670	1,081,950
Total	<u>68,107,905</u>	<u>69,564,822</u>	<u>(1,456,917)</u>
Less Accumulated Depreciation	<u>(32,353,935)</u>	<u>(29,810,965)</u>	<u>(2,542,970)</u>
Capital Assets, net of Depreciation	<u>\$ 35,753,970</u>	<u>\$ 39,753,857</u>	<u>\$ (3,999,887)</u>

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FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2018

**Debt**

At year-end, the District had \$30,760,557 in bonds and other long-term debt outstanding versus \$32,176,896 last year. The decrease is attributable to the District making scheduled payments on its long-term debt during the year.

A summary of the ending balances of long-term debt by type for both 2018 and 2017 is as follows:

	Governmental Activities 2018	Governmental Activities 2017	Change
General Obligation Bonds	\$ 30,357,530	\$ 31,652,860	\$ (1,295,330)
Compensated Absences	319,259	356,502	(37,243)
Capital Leases Payable	83,768	167,534	(83,766)
Total	<u>\$ 30,760,557</u>	<u>\$ 32,176,896</u>	<u>\$ (1,416,339)</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's elected and appointed officials considered many factors when setting the fiscal year 2018-2019 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. The District has adopted a General Fund budget of \$20.7 million for the 2018-2019 fiscal year. This reflects an approximate decrease of \$2 million in budgeted expenditures from fiscal year 2017-2018 to fiscal year 2018-2019.

For the 2018-2019 budget year, the District has increased through a tax ratification election its maintenance and operations tax rate to \$1.17 per hundred of taxable value. The District adopted a debt service tax rate of \$.2878 for the 2018-2019 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2018-2019 budget year is \$1.4578 per hundred of taxable value.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with 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, 821 NE 'G' Avenue, Fabens, Texas 79838, or by calling (915) 764-3115.

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**BASIC FINANCIAL STATEMENTS**

FABENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2018

Data Control Codes	Primary Government 1 Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 2,586,938
1225 Property Taxes Receivable, net	130,346
1240 Due from Other Governments	450,298
1267 Due from Fiduciary Funds	12,897
1290 Other Receivables, net	13,084
1300 Inventories	33,986
Capital Assets:	
1510 Land	636,697
1520 Buildings and Improvements, net	34,261,318
1530 Furniture and Equipment, net	855,955
1000 Total Assets	38,981,519
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflows-Pension	2,452,215
1706 Deferred Outflows-OPEB	158,388
Total Deferred Outflows of Resources	2,610,603
<b>LIABILITIES</b>	
2110 Accounts Payable	118,514
2140 Interest Payable	46,552
2160 Accrued Wages Payable	930,442
2180 Due to Other Governments	804,538
2200 Accrued Expenses	215,027
2300 Unearned Revenue	12,964
Noncurrent Liabilities:	
2501 Bonds, Loans & Other Payable-Due Within One Year	1,298,768
2502 Bonds Payable - Due in More than One Year	26,653,000
2516 Unamortized Premium (Discount) on Bonds	2,489,530
2530 Other Long-Term Debt - Due in More than One Year	319,259
2540 Net Pension Liability	5,683,977
2545 Other Post-Employment Benefits Liability	9,785,180
2000 Total Liabilities	48,357,751
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflows-Pension	2,106,695
2606 Deferred Inflows-OPEB	4,093,159
Total Deferred Inflows of Resources	6,199,854
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	5,312,672
Restricted for:	
3820 Federal & State Programs	431,254
3850 Debt Service	314,449
3860 Capital Projects	899
3900 Unrestricted	(19,024,757)
3000 Total Net Position	\$ (12,965,483)

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

FABENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
AUGUST 31, 2018

Data Control Codes	1 Expenses	Program Revenues		Net (Expense) Rev. & Changes in Net Position
		3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 10,083,338	\$ -	\$ (310,661)	\$ (10,393,999)
12 Instructional Resources & Media Services	179,119	-	(38,013)	(217,132)
13 Curriculum & Staff Development	123,350	-	43,591	(79,759)
21 Instructional Leadership	324,241	-	169,742	(154,499)
23 School Leadership	902,054	-	(258,512)	(1,160,566)
31 Guidance/Counseling/Evaluation Services	675,330	-	(6,048)	(681,378)
32 Social Work Services	21,447	-	(6,507)	(27,954)
33 Health Services	200,768	-	(55,649)	(256,417)
34 Student Transportation	293,862	-	(68,871)	(362,733)
35 Food Services	1,281,586	30,618	-	(1,250,968)
36 Extracurricular Activities	833,737	28,467	(86,324)	(891,594)
41 General Administration	892,875	-	(183,542)	(1,076,417)
51 Plant Maintenance and Operations	2,417,467	-	(217,004)	(2,634,471)
52 Security and Monitoring Services	203,409	-	(46,383)	(249,792)
53 Data Processing Services	155,644	-	(34,804)	(190,448)
61 Community Services	82,035	-	63,154	(18,881)
72 Interest on Long-Term Debt	932,181	-	1,766,589	834,408
73 Bond Issuance Cost & Fees	3,550	-	-	(3,550)
99 Other Intergovernmental Charges	36,925	-	-	(36,925)
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 19,642,918</u>	<u>\$ 59,085</u>	<u>\$ 730,758</u>	<u>(18,853,075)</u>
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			2,027,751
DT	Property Taxes, Levied for Debt Service			536,551
SF	State Aid - Formula Grants			17,873,436
GC	Grants and Contributions, not Restricted			1,492,249
IE	Investment Earnings			54,516
MI	Miscellaneous Local and Intermediate Revenue			117,702
	Total General Revenues			<u>22,102,205</u>
CN	Change in Net Position			3,249,130
NB	Net Position -- Beginning (as restated)			<u>(13,151,986)</u>
PA	Prior Period Adjustment			<u>(3,062,627)</u>
NE	Net Position -- Ending			<u>\$ (12,965,483)</u>

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

FABENS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	98 Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 1,838,873	\$ 613,059	\$ 135,006	\$ 2,586,938
1220 Property Taxes - Delinquent	330,326	77,005	-	407,331
1230 Allowance for Uncollectible Taxes (Credit)	(224,621)	(52,364)	-	(276,985)
1240 Due from Other Governments	101,743	-	348,555	450,298
1260 Due from Other Funds	682,196	-	-	682,196
1267 Due from Fiduciary Funds	12,897	-	-	12,897
1290 Other Receivables	13,084	-	-	13,084
1310 Inventories	33,986	-	-	33,986
1000 Total Assets	<u>\$ 2,788,484</u>	<u>\$ 637,700</u>	<u>\$ 483,561</u>	<u>\$ 3,909,745</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 118,514	\$ -	\$ -	\$ 118,514
2160 Accrued Wages Payable	838,905	-	91,537	930,442
2170 Due to Other Funds	-	316,367	365,829	682,196
2180 Due to Other Governments	804,538	-	-	804,538
2200 Accrued Expenditures	215,027	-	-	215,027
2300 Unearned Revenues	-	6,884	6,080	12,964
2000 Total Liabilities	<u>1,976,984</u>	<u>323,251</u>	<u>463,446</u>	<u>2,763,681</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2600 Deferred Inflows-Unavailable Revenues	105,704	24,642	-	130,346
Total Deferred Inflows of Resources	<u>105,704</u>	<u>24,642</u>	<u>-</u>	<u>130,346</u>
<b>FUND BALANCES</b>				
Nonspendable:				
3410 Inventories	33,986	-	-	33,986
Restricted for:				
3450 Federal or State Funds Restricted	426,704	-	4,550	431,254
3470 Capital Acq. and Contractual Oblig.	-	-	899	899
3480 Retirement of Long-Term Debt	-	289,807	-	289,807
Assigned for:				
3590 Other Assigned Fund Balance	-	-	14,666	14,666
3600 Unassigned Fund Balance	245,106	-	-	245,106
3000 Total Fund Balances	<u>705,796</u>	<u>289,807</u>	<u>20,115</u>	<u>1,015,718</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 2,788,484</u>	<u>\$ 637,700</u>	<u>\$ 483,561</u>	<u>\$ 3,909,745</u>

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

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

		1
<b>Total Fund Balances - Governmental Funds</b>	\$	1,015,718
<p>1 Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 68,107,905	
Less accumulated depreciation	<u>(32,353,935)</u>	35,753,970
<p>2 Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds payable, including unamortized premiums	(30,357,530)	
Notes and capital leases payable	(403,027)	
Net pension liability	(5,683,977)	
Net OPEB liability	<u>(9,785,180)</u>	(46,229,714)
<p>3 Accrued interest on long-term debt related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds.</p>		
		(46,552)
<p>4 Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	2,452,215	
Deferred inflows of resources related to pensions	(2,106,695)	
Deferred outflows of resources related to OPEB	158,388	
Deferred inflows of resources related to OPEB	<u>(4,093,159)</u>	(3,589,251)
<p>5 Property taxes are recognized as revenue in the governmental funds when collected, but recognized on the Statement of Activities in the year levied. Therefore, property taxes receivable, net of allowance for uncollectible accounts, is added to the Statement of Net Position for governmental activities.</p>		
		130,346
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>(12,965,483)</u>

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

FABENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2018

Data	10	50	98	Total
Control	General	Debt	Other	Governmental
Codes	Fund	Service Fund	Funds	Funds
<b>REVENUES</b>				
5700 Local and Intermediate Sources	\$ 2,111,152	\$ 552,127	\$ 67,623	\$ 2,730,902
5800 State Program Revenues	18,962,739	1,766,589	121,005	20,850,333
5900 Federal Program Revenues	1,512,741	-	2,365,032	3,877,773
5020 Total Revenues	<u>22,586,632</u>	<u>2,318,716</u>	<u>2,553,660</u>	<u>27,459,008</u>
<b>EXPENDITURES</b>				
0011 Instruction	12,524,836	-	1,981,511	14,506,347
0012 Instructional Resources & Media Services	260,984	-	7,681	268,665
0013 Curriculum & Instructional Staff Development	85,538	-	55,510	141,048
0021 Instructional Leadership	169,020	-	202,277	371,297
0023 School Leadership	1,441,951	-	23,542	1,465,493
0031 Guidance, Counseling & Evaluation Services	844,300	-	168,572	1,012,872
0032 Social Work Services	34,436	-	-	34,436
0033 Health Services	314,289	-	2,936	317,225
0034 Student (Pupil) Transportation	428,104	-	-	428,104
0035 Food Services	1,189,730	-	30,053	1,219,783
0036 Cocurricular/Extracurricular Activities	1,004,335	-	22,163	1,026,498
0041 General Administration	1,246,049	-	640	1,246,689
0051 Plant Maintenance and Operations	2,768,514	-	-	2,768,514
0052 Security and Monitoring Services	293,551	-	-	293,551
0053 Data Processing Services	223,138	-	-	223,138
0061 Community Services	13,832	-	64,247	78,079
0071 Debt Service - Principal	83,766	1,161,000	-	1,244,766
0072 Debt Service - Interest	-	1,064,771	-	1,064,771
0073 Debt Service - Bond Issuance Costs	-	3,550	-	3,550
0081 Facilities Acquisition and Construction	49,875	-	293,059	342,934
0099 Other Intergovernmental Charges	35,144	-	-	35,144
6030 Total Expenditures	<u>23,011,392</u>	<u>2,229,321</u>	<u>2,852,191</u>	<u>28,092,904</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(424,760)</u>	<u>89,395</u>	<u>(298,531)</u>	<u>(633,896)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
7915 Transfers In	-	-	943	943
8911 Transfers Out	(943)	-	-	(943)
7080 Total Other Financing Sources (Uses)	<u>(943)</u>	<u>-</u>	<u>943</u>	<u>-</u>
1200 Net Change in Fund Balance	(425,703)	89,395	(297,588)	(633,896)
0100 Fund Balance - Beginning	1,177,185	200,412	272,017	1,649,614
1300 Prior Period Adjustment	(45,686)	-	45,686	-
3000 Fund Balance - Ending	<u>\$ 705,796</u>	<u>\$ 289,807</u>	<u>\$ 20,115</u>	<u>\$ 1,015,718</u>

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



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

<b>Total Net Change in Fund Balances – Governmental Funds</b>	\$	(633,896)
<p><sup>1</sup> Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.</p>		
Expenditures for capitalized assets	\$	351,555
Less current year depreciation		<u>(1,288,815)</u>
<p><sup>2</sup> Repayment of principal on bonds, notes, and capital leases is an expenditure in the governmental funds, but this expenditure is removed from the Statement of Activities and the repayments instead reduce long-term liabilities on the Statement of Net Position.</p>		
		1,244,766
<p><sup>3</sup> Since long-term debt is not recorded in governmental funds, amortization of related issuance premiums and discounts is also not recorded.</p>		
		134,330
<p><sup>4</sup> The change in accrued interest due on long-term debt issued for governmental activities does not affect current financial resources and therefore is not reported in the governmental funds.</p>		
		(1,740)
<p><sup>5</sup> Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. Therefore the uncollected amount of the current year levy is added to current year property tax revenue on the Statement of Activities.</p>		
		64,703
<p><sup>6</sup> Governmental funds report pension contributions as expenditures. However, pension contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net pension liability measurement date. In addition, the change in the net pension liability, adjusted for changes in deferred pension items, is reported as pension expense in the Statement of Activities.</p>		
		(97,318)
<p><sup>7</sup> Governmental funds report OPEB contributions as expenditures. However, OPEB contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net pension liability measurement date. In addition, the change in the net OPEB liability, adjusted for changes in deferred OPEB items, is reported as OPEB expense in the Statement of Activities.</p>		
		3,438,302
<p><sup>8</sup> Other miscellaneous differences in accounting treatments between the governmental funds and the Statement of Activities.</p>		
		<u>37,243</u>
<b>19 Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>3,249,130</u></b>

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

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FABENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP BASIS)	
<b>REVENUES</b>				
5700 Local & Intermediate Sources	\$ 2,055,001	\$ 2,055,001	\$ 2,111,152	\$ 56,151
5800 State Program Revenues	19,175,107	18,960,107	18,962,739	2,632
5900 Federal Program Revenues	1,379,617	1,379,617	1,512,741	133,124
5020 Total Revenues	<u>22,609,725</u>	<u>22,394,725</u>	<u>22,586,632</u>	<u>191,907</u>
<b>EXPENDITURES</b>				
0011 Instruction	12,578,484	12,578,484	12,524,836	53,648
0012 Instructional Resources & Media Services	267,460	267,960	260,984	6,976
0013 Curriculum and Staff Development	93,024	92,524	85,538	6,986
0021 Instructional Leadership	159,671	159,671	169,020	(9,349)
0023 School Leadership	1,429,075	1,429,075	1,441,951	(12,876)
0031 Guidance/Counseling/Evaluation Services	842,814	842,814	844,300	(1,486)
0032 Social Work Services	36,219	36,219	34,436	1,783
0033 Health Services	324,833	324,833	314,289	10,544
0034 Student Transportation	429,659	444,659	428,104	16,555
0035 Food Services	1,286,511	1,191,511	1,189,730	1,781
0036 Extracurricular Activities	840,323	1,005,323	1,004,335	988
0041 General Administration	1,092,680	1,242,680	1,246,049	(3,369)
0051 Facilities Maintenance & Operations	2,502,351	2,775,351	2,768,514	6,837
0052 Security and Monitoring Services	294,112	294,112	293,551	561
0053 Data Processing Services	260,709	225,709	223,138	2,571
0061 Community Services	13,800	13,900	13,832	68
Debt Service:				
0071 Principal on Long Term Debt	85,000	85,000	83,766	1,234
Capital Outlay:				
0081 Facilities Acquisition & Construction	85,000	50,000	49,875	125
Intergovernmental:				
0099 Other Intergovernmental Charges	31,000	35,200	35,144	56
6030 Total Expenditures	<u>22,652,725</u>	<u>23,095,025</u>	<u>23,011,392</u>	<u>83,633</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(43,000)</u>	<u>(700,300)</u>	<u>(424,760)</u>	<u>275,540</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
8911 Transfers Out	-	-	(943)	(943)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(943)</u>	<u>(943)</u>
1200 Net Change in Fund Balances	(43,000)	(700,300)	(425,703)	274,597
0100 Fund Balance-September 1 (Beginning)	1,177,185	1,177,185	1,177,185	-
1300 Prior Period Adjustment	-	-	(45,686)	(45,686)
3000 Fund Balance-August 31 (Ending)	<u>\$ 1,134,185</u>	<u>\$ 476,885</u>	<u>\$ 705,796</u>	<u>\$ 228,911</u>

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

FABENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2018

Data Control Codes	Private Purpose Trust	
	Funds	Agency Funds
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 7,841	\$ 73,144
1910 Long-Term Investments	8,837	-
1000 Total Assets	<u>16,678</u>	<u>73,144</u>
<b>LIABILITIES</b>		
Current Liabilities:		
2170 Due to Other Funds	-	12,897
2190 Due to Student Groups	-	60,247
2000 Total Liabilities	<u>-</u>	<u>\$ 73,144</u>
<b>NET POSITION</b>		
3800 Held in Trust	<u>16,678</u>	
3000 Total Net Position	<u>\$ 16,678</u>	

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

FABENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Private Purpose Trust Funds
<b>ADDITIONS</b>	
5700 Local and Intermediate Sources	\$ 32
5020 Total Revenues	<u>32</u>
<b>DEDUCTIONS</b>	
6400 Other Operating Costs	1,500
6030 Total Expenses	<u>1,500</u>
1200 Change in Net Position	(1,468)
0100 Net Position - Beginning	<u>18,146</u>
3000 Net Position - Ending	<u><u>\$ 16,678</u></u>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Financial Reporting Entity**

This report includes those activities, organizations and functions related to Fabens Independent School District (the "District"), which are controlled by or dependent upon the District's governing body, the Board of Trustees (the "Board"). The Board, a seven member group, is the level of government having governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the Governmental Accounting Standards Board (GASB), since Board members are elected by the public and have decision making authority. Furthermore, there are no legally separate organizations, known as "component units", included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency (TEA) in its Financial Accountability System Resource Guide (FASRG). These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Currently however, the District has no business-type activities.

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Agency funds have no measurement focus. 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. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

Major revenue sources considered susceptible to accrual include state and federal program revenues and property taxes. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources within the governmental fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Major Funds and Fund Types**

The District reports the following major governmental funds:

The General Fund includes financial resources that are not required to be reported separately in another fund. It is a budgeted fund, and any unrestricted fund balances are considered to be resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

Additionally, the District reports the following fund types:

Special revenue funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds.

The Capital Projects Fund is used to account for the construction, improvement and renovation of school buildings in the District along with the acquisition of land and equipment. This fund is budgeted on a project basis rather than annually.

Private purpose trust funds are fiduciary funds used to account for donations for which the donors have stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District utilizes this fund type to account for money collected and held for the purpose of awarding scholarships to selected students.

Agency funds are fiduciary funds used to account for resources held for others in a custodial capacity. The District utilizes this fund type to account for funds held on behalf of student clubs and organizations.



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

**Budgetary Information**

Budgets are prepared annually for the General Fund, the Debt Service Fund, and the Child Nutrition Fund on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by the end of August and is adopted by the Board at a public meeting after public notice of the meeting has been given no earlier than the 30th day or later than the 10th day before the public hearing. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was monitored by the administration throughout the year and amendments were brought to the Board as needed.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance**

Investments - The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The types of investments allowed under the Public Funds Investment Act are detailed in Note 2 - Deposits and Investments. The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. Temporary investments throughout the year consisted of investments in external investment pools, which are recognized at amortized cost, and money market accounts.

Inventories - Inventories are generally not recorded in the General Fund or Child Nutrition Fund due to amounts of expendable supplies held or purchased food not being deemed material. When inventories are recorded, they are charged to expenditures when consumed. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the inventory does not represent "available expendable resources."

Capital Assets - Capital assets, which include land, buildings and improvements, construction in progress, furniture and equipment, and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000 and a useful life of greater than one year. Such assets are recorded at historical cost, if purchased, or estimated fair value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - fifteen to thirty years, furniture and equipment - three to twenty years, and vehicles - five to ten years.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed. When prepaid items are recorded, they are charged to expenditures when the value represented by the prepaid item has been used. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the prepaid item amount does not represent "available expendable resources."

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

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local Board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum.

Pensions - The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

Deferred Outflows and Deferred Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent a consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

FABENS INDEPENDENT SCHOOL DISTRICT  
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Fund Balance/Deficit - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Statement of Cash Flows - For purposes of the statement of cash flows when proprietary funds are used, cash and cash equivalents include demand deposits.

Fair Value Measurements - The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations

### **Data Control Codes**

The Data Control Codes shown on the financial statements refer to the account code structure prescribed by the FASRG. TEA requires school districts to display these codes in their financial statements to ensure accuracy in building a state-wide data base for policy development and funding plans.

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## 2. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy for operating and agency funds, in order of priority, are safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. The primary objective of the District's investment strategy for the Debt Service Fund and Capital Projects Fund is sufficient investment liquidity to meet related obligations.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Securities lending program
- Banker's acceptances
- Commercial paper
- No-load money market mutual funds and no-load mutual funds
- Guaranteed investment contracts as an investment vehicle for bond proceeds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. Therefore the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2018, the carrying amount of the District's deposits was \$2,667,923 and the bank balance was \$3,420,907. The District's deposits with financial institutions at August 31, 2018 and during the year ended August 31, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the District maintains copies of all safekeeping receipts in the name of the District.

The District maintains a cash pool consisting of demand deposits. The combined pool is available for use by most special revenue funds. If a fund overdraws its share of the pool, the overdraft is reported as an interfund payable in that fund. The offsetting interfund receivable is reported in the General Fund.

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

- a) Name of depository bank: WestStar Bank
- b) The amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$2,320,744.
- c) The largest cash, savings and time deposit combined account balance amounted to \$1,512,827 and occurred during the month of March 2018.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

The District did not have any balances classified as investments as of August 31, 2018.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At August 31, 2018, investments were included in local governmental investment pools with ratings from Standard & Poor's in compliance with the District's investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At August 31, 2018, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the District's investment policy requires that maturities will not exceed the weighted average maturity of 180 days for any internally created pool fund group and one year from the time of purchase for any other individual investment. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the local governmental investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value.

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**3. PROPERTY TAXES**

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the “Code”) which established a county-wide appraisal district and an appraisal review board in each county in the State. The El Paso Central Appraisal District (the “Appraisal District”) is responsible for the recording and appraisal of all property in the District. Under the Code, the school board sets the tax rates on property and the El Paso County Tax Assessor/Collector provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every three years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District’s fiscal year. The assessed value at January 1, 2017, upon which the October 2017 levy was based was \$190,829,417. The District levied taxes based on a combined tax rate of \$1.3278 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

**4. DUE FROM/TO OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. Grants and entitlements are recorded as revenue when earned, therefore at year end amounts earned but not yet received in cash may be recorded as due from the grantor government. Amounts already received in cash but not yet earned are recorded as due to the grantor government.

A summary of amounts recorded as Due From/Due To Other Governments in the basic financial statements as of August 31, 2018 are summarized below:

Due From Other Governments:	Non-Major		
	General Fund	Governmental Funds	Total
Governmental Activities:			
State Grants	\$ -	\$ 12,356	\$ 12,356
Federal Grants	100,676	336,199	436,875
Miscellaneous	1,067	-	1,067
Total - Governmental Activities	<u>\$ 101,743</u>	<u>\$ 348,555</u>	<u>\$ 450,298</u>

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Due To Other Governments:

	General Fund
Governmental Activities:	
Foundation & Per Capita Entitlements	\$ 804,538
Total - Governmental Activities	\$ 804,538

**5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

During the course of operations, the individual funds of the District may engage in temporary borrowings of money between one another to meet liquidity needs. These interfund receivables and payables are recorded on the balance sheet of the loaning fund as “Due from Other Funds” and on the balance sheet of the borrowing fund as “Due to Other Funds”. Amounts are repaid when funds are available in the borrowing fund.

Individual funds may also make payments between one another which are intended to be permanent and therefore not repaid. These transactions are recorded on the statement of revenues, expenditures, and changes in fund balance as “Transfers Out” for the paying fund and “Transfers In” for the receiving fund.

During the year, the General Fund transferred \$943 to the Cotton Valley Early College High School Fund to provide for supplemental financing needs.

The composition of interfund balances as of August 31, 2018 was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 365,829
	Debt Service Fund	316,367
	Trust and Agency Funds	12,897
Total General Fund		695,093
Grand Total		\$ 695,093

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**6. CAPITAL ASSETS**

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

	Beginning			Ending
	Balance	Additions	Retirements	Balance
	9/1/17			8/31/18
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$ 636,697	\$ -	\$ -	\$ 636,697
Total Capital Assets, not Being Depreciated	<u>636,697</u>	<u>-</u>	<u>-</u>	<u>636,697</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	63,955,455	351,555	(2,890,422)	61,416,588
Furniture and Equipment	4,972,670	-	1,081,950	6,054,620
Total Capital Assets, Being Depreciated	<u>68,928,125</u>	<u>351,555</u>	<u>(1,808,472)</u>	<u>67,471,208</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(25,688,786)	(1,141,464)	(325,020)	(27,155,270)
Furniture and Equipment	(4,122,179)	(147,351)	(929,135)	(5,198,665)
Total Accumulated Depreciation	<u>(29,810,965)</u>	<u>(1,288,815)</u>	<u>(1,254,155)</u>	<u>(32,353,935)</u>
Governmental Activities Capital Assets, Net	<u>\$ 39,753,857</u>	<u>\$ (937,260)</u>	<u>\$ (3,062,627)</u>	<u>\$ 35,753,970</u>

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

Function	Depreciation Allocation
Instruction	\$ 734,995
Instructional Resources & Media	13,612
Curriculum & Staff Development	7,147
Instructional Leadership	18,813
School Leadership	74,252
Guidance/Counseling/Evaluation Services	51,319
Social Work Services	1,745
Health Services	16,073
Student Transportation	21,691
Food Services	61,803
Cocurricular/Extracurricular Activities	52,010
General Administration	63,166
Plant Maintenance and Operations	140,273
Security and Monitoring Services	14,873
Data Processing Services	11,306
Community Services	3,956
Other Intergovernmental Charges	1,781
Totals	<u>\$ 1,288,815</u>



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**7. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES**

Governmental activities long-term debt obligations at August 31, 2018 consisted of the following:

General Long-Term Debt Description	Outstanding at August 31, 2018
\$8,735,000 Unlimited Tax School Building and Refunding Bonds, Series 2016A, due in annual installments of \$80,000 to \$500,000 through 2043; interest at 2.0% to 4.0%.	\$ 8,460,000
\$5,155,000 Unlimited Tax Refunding Bonds, Series 2016, due in annual installments of \$105,000 to \$295,000 through 2028; interest at 2.0% to 4.0%.	4,405,000
\$4,960,000 Unlimited Tax School Building Bonds, Series 2015, due in annual installments of \$105,000 to \$295,000 through 2045; interest at 3.0% to 4.5%.	4,855,000
\$1,400,000 Unlimited Tax Refunding Bonds, Series 2015, due in annual installments of \$151,000 to \$182,000 through 2024; interest at 3.3%.	1,008,000
\$7,805,000 Unlimited Tax Refunding Bonds, Series 2014, due in annual installments of \$300,000 to \$585,000 through 2036; interest at 3.0% to 4.0%.	7,650,000
\$10,000,000 Unlimited Tax School Building Bonds, Series 2008, due in annual installments of \$180,000 to \$240,000 through 2025; interest at 3.7% to 4.0%.	1,490,000
\$10,000,000 Unlimited Tax School Building Bonds, Series 2006, due in annual installments of \$270,000 through 2018; interest at 4.0%.	-
<b>Total General Long-Term Debt</b>	<b>\$ 27,868,000</b>

The following is a summary of changes in long-term liabilities for the year ended August 31, 2018:

Type	Outstanding 9/1/17	Additions	Deletions	Outstanding 8/31/18	Due in One Year
<b>Bonds Payable:</b>					
General Oblig. & Refunding Bonds	\$ 29,029,000	\$ -	\$ (1,161,000)	\$ 27,868,000	\$ 1,215,000
Premium on Issuance of Bonds	2,623,860	-	(134,330)	2,489,530	-
<b>Total Bonds</b>	<b>31,652,860</b>	<b>-</b>	<b>(1,295,330)</b>	<b>30,357,530</b>	<b>1,215,000</b>
<b>Other Long-Term Liabilities:</b>					
Compensated Absences	356,502	32,515	(69,758)	319,259	-
Capital Leases	167,534	-	(83,766)	83,768	83,768
<b>Total Other Long-Term Debt</b>	<b>524,036</b>	<b>32,515</b>	<b>(153,524)</b>	<b>403,027</b>	<b>83,768</b>
<b>Total Governmental Activities</b>	<b>\$ 32,176,896</b>	<b>\$ 32,515</b>	<b>\$ (1,448,854)</b>	<b>\$ 30,760,557</b>	<b>\$ 1,298,768</b>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District. The Texas Education Code generally limits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness (including the additional new debt) would exceed \$0.50 per \$100 of assessed valuation of taxable property within the District at the time the new debt is to be issued.

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Annual principal installments for outstanding bonds vary each year. The debt service requirements to maturity for general obligation bonds as of August 31, 2018 are as follows:

Year Ended August 31,	<u>General Obligations</u>		Total Requirements
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 1,215,000	\$ 1,030,342	\$ 2,245,342
2020	1,245,000	995,319	2,240,319
2021	1,285,000	956,832	2,241,832
2022	1,330,000	913,354	2,243,354
2023	1,381,000	866,320	2,247,320
2024-2028	6,947,000	3,544,256	10,491,256
2029-2033	5,310,000	2,338,775	7,648,775
2034-2038	4,990,000	1,219,700	6,209,700
2039-2043	3,585,000	457,563	4,042,563
2044-2045	580,000	26,323	606,323
Totals	<u>\$ 27,868,000</u>	<u>\$ 12,348,784</u>	<u>\$ 40,216,784</u>

The debt service requirements for notes payable and capital leases as of August 31, 2018 are as follows:

Year Ended August 31,	<u>Capital Lease</u>
2019	\$ 83,768
	<u>\$ 83,768</u>

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**8. DEFINED BENEFIT PENSION PLAN**

*Plan Description*

Fabens Independent School District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is 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 education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

*Pension Plan Fiduciary Net Position*

Detailed information about the 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>; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2017 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2017.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 179,336,535,000
Less: Plan Fiduciary Net Position	<u>(147,361,922,000)</u>
Net Pension Liability	<u>\$ 31,974,613,000</u>
 Net Position as a Percentage of Total Pension Liability	 82.17%

*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 the date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic cost-of-living-adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

FABENS INDEPENDENT SCHOOL DISTRICT  
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*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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (“GAA”) established the employer contribution rates for fiscal years 2016 and 2017. The 85<sup>th</sup> Texas Legislature left contribution rates unchanged for fiscal years 2018 and 2019.

<u>Contribution Rates</u>	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
 <u>Contribution Amounts</u>		
Employer Contribution	\$ 606,176	\$ 588,261
Member Contributions	1,312,133	1,314,486
State On-Behalf Contributions	847,422	964,816

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity (“NECE”). The State contributes to the plan in accordance with state statutes and the GAA.

As the non-employer contributing entity for public education, 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. Public school employers 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

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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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases, Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions have been selected by the Board of Trustees based upon analysis and recommendations by the System’s actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and were adopted in September 2015.

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

*Discount Rate*

A single discount rate of 8.0% was used to measure the total pension liability. There was no change in the discount rate since the previous fiscal year. This single discount rate was based on the expected rate of return on pension plan investments of 8.0%. The projection of cash flows used to determine this single discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2013 legislative session.

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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 with no cross-over point to a municipal bond rate.

The long-term expected rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of August 31, 2017 are summarized below:

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

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*Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less or 1% greater than the discount rate that was used 8% in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate 7.0%	Discount Rate 8.0%	1% Increase in Discount Rate 9.0%
District's Proportionate Share of the Net Pension Liability:	\$ 9,582,063	\$ 5,683,977	\$ 2,438,189

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

At August 31, 2018, Fabens Independent School District reported a liability of \$5,683,977 for its proportionate share of the TRS 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 Fabens Independent School District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 5,683,977
State's Proportionate Share that is Associated with the District	<u>7,624,311</u>
Total	<u><u>\$ 13,308,288</u></u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was .0177765326% which was a decrease of .0001315776% from its proportion measured as of the previous measurement date of August 31, 2016.

*Changes Since the Prior Actuarial Valuation*

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. In addition, there were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2018, Fabens Independent School District recognized pension expense of \$97,318 and revenue of \$581,554 for support provided by the State.

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At August 31, 2018, 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 Economic Experience	\$ 83,159	\$ 306,529
Changes in Actuarial Assumptions	258,914	148,222
Difference Between Projected and Actual Investment Earnings	874,130	1,288,366
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	647,751	363,578
Contributions Paid to TRS Subsequent to the Measurement Date	588,261	-
Total	\$ 2,452,215	\$ 2,106,695

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

Measurement Year Ended August 31,	Pension Expense Amount
2018	\$ (94,523)
2019	268,300
2020	(122,399)
2021	(224,631)
2022	(58,763)
Thereafter	(10,725)

## 9. EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2018, employees of the District were covered by the state-wide health insurance plan, TRS Active Care. The District contributed \$150 per month per employee to the Plan, the State provided an additional \$75 per month per employee, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. TRS manages TRS Active Care. The Plan is administered by Aetna while Caremark was assigned the prescription drug plan.

## 10. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

### *Plan Description*

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

### *OPEB Plan Fiduciary Net Position*

Detail information about TRS-Care's fiduciary net position is available in the separately-issued TRS 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>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling TRS at (512) 542-6592.



FABENS INDEPENDENT SCHOOL DISTRICT  
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*Benefits Provided*

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

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

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

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

*Contributions*

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

FABENS INDEPENDENT SCHOOL DISTRICT  
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The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private funding remitted by Employers	1.00%	1.25%
Employer Contributions	\$ 93,422	\$ 156,834
Member Contributions	110,408	110,619
NECE On-Behalf Contributions	77,880	68,301

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

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

*Actuarial Assumptions*

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

*Additional Actuarial Methods and Assumptions:*

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

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*Other Information:*

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

*Discount Rate*

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

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

FABENS INDEPENDENT SCHOOL DISTRICT  
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*Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less or 1% greater than the discount rate that was used 3.42% in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate 2.42%	Current Discount Rate 3.42%	1% Increase in Discount Rate 4.42%
District's proportionate share of the Net OPEB Liability	\$ 11,548,941	\$ 9,785,180	\$ 8,367,513

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

At August 31, 2018, Fabens Independent School District reported a liability of \$9,785,180 for its proportionate share of TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to Fabens Independent School District. The amount recognized by the Fabens Independent School District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Fabens Independent School District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$ 9,785,180
State's proportionate share that is associated with the District	<u>12,262,692</u>
Total	<u><u>\$ 22,047,872</u></u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was .0225017789% which was the same proportion measured as of August 31, 2016.

*Changes Since the Prior Actuarial Valuation*

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

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

FABENS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

For the year ended August 31, 2018, Fabens Independent School District recognized OPEB expense of (\$3,438,302) and revenue of (\$4,103,422) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ -	\$ 204,273
Changes in Actuarial Assumptions	-	3,888,886
Difference between Projected and Actual Investment Earnings	1,486	-
Change in Proportion and Difference between the Employer's Contributions and the Proportionate Share of Contributions	68	-
Contributions paid to TRS Subsequent to the Measurement Date	156,834	-
Total	\$ 158,388	\$ 4,093,159

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

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB (not including the deferred contribution paid subsequent to the measurement date) will be recognized in OPEB expense as follows:

Measurement Year Ended 8/31:	OPEB Expense Amount
2018	\$ (539,892)
2019	(539,892)
2020	(539,892)
2021	(539,892)
2022	(540,264)
Thereafter	(1,391,773)

**11. FUND BALANCES**

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

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

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

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

Assigned - For the General Fund, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District’s General Fund.

A detail of the fund balance amounts within each category is included on the governmental funds balance sheet.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District’s highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the Superintendent to assign fund balance for a specific purpose. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

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

**12. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

Type	General Fund	Debt Service Fund	Non-Major Governmental Funds	Trust Funds	Total
Property Taxes	\$ 1,960,389	\$ 539,210	\$ -	\$ -	\$ 2,499,599
Tuition and Fees	-	-	40,000	-	40,000
Investment Income	41,035	12,917	1,124	32	55,108
Food Sales	30,618	-	-	-	30,618
Athletics	28,467	-	-	-	28,467
Enterprising Revenues	6,228	-	-	-	6,228
Miscellaneous Local Revenue	44,415	-	26,499	-	70,914
Total	<u>\$ 2,111,152</u>	<u>\$ 552,127</u>	<u>\$ 67,623</u>	<u>\$ 32</u>	<u>\$ 2,730,934</u>

**13. UNEARNED REVENUE**

Unearned revenue at August 31, 2018 consisted of the following amounts:

Fund	State Grants
Debt Service Fund	\$ 6,884
Non-Major Governmental Funds	<u>6,080</u>
Total	<u>\$ 12,964</u>

**14. RISK MANAGEMENT**

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers' compensation, and other miscellaneous bonds. During the year ended August 31, 2018, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

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

**15. COMMITMENTS AND CONTINGENCIES**

The District participates in a number of federal financial assistance programs. Although the District’s grant programs have been audited in accordance with the provisions of *Government Auditing Standards* and when applicable, the Uniform Guidance, for the year ended August 31, 2018, these programs are subject to financial and compliance audits performed by the specific grantors. These audits, if performed, could result in amounts of expenditures being disallowed by the granting agencies and subject to repayment. The District however expects that such amounts, if any, would be immaterial.

**16. SELF-INSURANCE FUND**

The District has a partially self-insured workers’ compensation plan administered by Claims Administrative Services, Inc. (CAS) which is an insurance pool. The claim liability below is an estimate of potential loss exposure on workers’ compensation claims at year end which includes incurred but not reported (“IBNR”) claims and claims reported but not paid.

A reconciliation of the estimated claim liability is as follows:

Year Ended August 31,	Beginning Liability	Estimated Current Year Claims	Claim Payments	Ending Liability
2017	\$ 183,522	\$ 84,112	\$ (52,607)	\$ 215,027

**17. RESTATEMENT OF NET POSITION**

During the year, the District implemented Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* (“GASB 75”). The primary objective of GASB 75 is to improve the accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits, or OPEB).

In the year of implementation, GASB 75 requires a retroactive restatement of prior periods to reflect the effect on net position as if the standard had been in effect in prior years. As such, the effect on beginning net position as shown within these financial statements is as follows:

	Governmental Activities
Net Position as previously stated at August 31, 2017	\$ 4,006,267
Effect of implementation of GASB 75	(17,158,253)
Net Position as restated at August 31, 2017	<u>\$ (13,151,986)</u>



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

**19. PRIOR PERIOD ADJUSTMENTS**

Based on an analysis of the District’s capital asset listing it was determined that a prior period adjustment of (\$3,062,627) was necessary to remove that amount from the District’s capital assets on the statement of net position and flow it through prior years’ statements of activity as if this amount had not been capitalized. As a result, the effect on beginning net position as shown within these financial statements is as follows:

	Governmental Activities
Net Position as restated at August 31, 2017	\$ (13,151,986)
Effect of prior period adjustment related to capital assets	(3,062,627)
Net Position as restated at August 31, 2017	\$ (16,214,613)

Due to the District’s local special revenue fund having ended the last fiscal year with a deficit fund balance of \$45,686, a prior period adjustment was necessary to raise the deficit to \$0 through a transfer from the General Fund. As a result, the effect on beginning fund balance for the General Fund and the Cotton Valley Early College High School Fund, respectively, as shown within these financial statements is as follows:

	General Fund
Fund balance as previously stated at August 31, 2017	\$ 1,177,185
Effect of prior period adjustment related to deficit	(45,686)
Fund balance as restated at August 31, 2017	\$ 1,131,499

	Cotton Valley Early College H. S. Fund
Fund balance as previously stated at August 31, 2017	\$ (45,686)
Effect of prior period adjustment related to deficit	45,686
Fund balance as restated at August 31, 2017	\$ -

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**REQUIRED SUPPLEMENTARY INFORMATION**

FABENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31, 2018

	Measurement Year			
	2014	2015	2016	2017
District's Proportion of the Net Pension Liability	0.0155416000%	0.0198328000%	0.0179081100%	0.0177765326%
District's Proportionate Share of the Net Pension Liability	\$ 4,151,377	\$ 7,010,631	\$ 6,767,209	\$ 5,683,977
State's Proportionate Share of the District Net Pension Liability	8,203,939	9,182,430	9,412,606	7,624,311
Total Pension Liability	<u>\$ 12,355,316</u>	<u>\$ 16,193,061</u>	<u>\$ 16,179,815</u>	<u>\$ 13,308,288</u>
District's Covered-Employee Payroll	\$ 16,923,535	\$ 17,103,249	\$ 16,880,401	\$ 17,040,680
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	24.5%	41.0%	40.1%	33.4%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	83.25%	78.43%	78.00%	82.17%

FABENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2018

	Fiscal Year			
	2015	2016	2017	2018
Contractually Required Contribution	\$ 587,240	\$ 590,529	\$ 606,176	\$ 588,261
Contribution in Relation to the Contractually Required Contribution	<u>(587,240)</u>	<u>(590,529)</u>	<u>(606,176)</u>	<u>(588,261)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 17,103,249	\$ 16,880,401	\$ 17,040,680	\$ 17,071,247
Contributions as a Percentage of Covered- Employee Payroll	3.4%	3.5%	3.6%	3.4%

FABENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN  
 FOR THE YEAR ENDED AUGUST 31, 2018

	Fiscal Year 2018 Plan Year 2017
District's Proportion of the Net Liability for Other Post Employment Benefits	0.022501778900%
District's Proportionate Share of the Net Post Employment Benefit Liability	9,785,180
State's Proportionate Share of the Net Post Employment Benefit Liability Assoc. with the District	12,262,692
Total Other Post Employment Benefits Liability	\$ 22,047,872
District's Covered Payroll	\$ 17,071,247
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	57%
Plan Fiduciary Net Position as a Percentage of the Total Net OPEB Liability	0%

FABENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN  
 FOR THE YEAR ENDED AUGUST 31, 2018

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	Fiscal Year	
	2017	2018
Contractually Required Contribution	\$ 93,422	\$ 156,834
Contribution in Relation to the Contractually Required Contrib.	<u>(93,422)</u>	<u>(156,834)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 17,040,680	\$ 17,071,247
Contributions as a Percentage of Covered Payroll	0.5%	0.9%

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

Teacher Retirement System Pension Plan

*Changes of Benefit Terms*

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

*Changes of Assumptions*

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

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Texas Public School Retired Employees Group Insurance Plan

*Changes of Benefit Terms*

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

*Changes of Assumptions*

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

FABENS INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	211 ESEA, Title I, Part A	212 ESEA, Title I, Part C	224 IDEA-Part B, Formula	225 IDEA-Part B, Preschool	242 Summer Feeding Program, TDA	244 Career and Technical- Basic Grant
<b>ASSETS</b>						
1110 Cash and Cash Equivalents	\$ 16,096	\$ 15,658	\$ 10,496	\$ -	\$ 4,550	\$ -
1240 Due from Other Governments	134,991	52,704	46,125	3,207	-	7,215
1000A Total Assets	<u>\$ 151,087</u>	<u>\$ 68,362</u>	<u>\$ 56,621</u>	<u>\$ 3,207</u>	<u>\$ 4,550</u>	<u>\$ 7,215</u>
<b>LIABILITIES</b>						
2160 Accrued Wages Payable	\$ 69,840	\$ 10,790	\$ 10,497	\$ -	\$ -	\$ -
2170 Due to Other Funds	81,247	57,572	46,124	3,207	-	7,215
2300 Unearned Revenues	-	-	-	-	-	-
2000 Total Liabilities	<u>151,087</u>	<u>68,362</u>	<u>56,621</u>	<u>3,207</u>	<u>-</u>	<u>7,215</u>
<b>FUND BALANCES</b>						
Restricted for:						
3450 Federal or State Funds Restricted	-	-	-	-	4,550	-
3470 Capital Acq. and Contractual Oblig	-	-	-	-	-	-
Assigned for:						
3590 Other Assigned Fund Balance	-	-	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,550</u>	<u>-</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 151,087</u>	<u>\$ 68,362</u>	<u>\$ 56,621</u>	<u>\$ 3,207</u>	<u>\$ 4,550</u>	<u>\$ 7,215</u>

255	263	289	410	429	461	499	699	
ESEA, Title II, Part A	Title III, Part A	Federally Funded Spec. Rev. Fund	State Textbook Fund	State Funded Special Revenue Funds	Campus Activity Funds	Cotton Valley Early College High School Fund	Capital Projects Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 2,374	\$ 63,777	\$ 6,490	\$ 14,666	\$ -	\$ 899	\$ 135,006
38,256	52,714	987	6,223	6,133	-	-	-	348,555
<u>\$ 38,256</u>	<u>\$ 52,714</u>	<u>\$ 3,361</u>	<u>\$ 70,000</u>	<u>\$ 12,623</u>	<u>\$ 14,666</u>	<u>\$ -</u>	<u>\$ 899</u>	<u>\$ 483,561</u>
\$ -	\$ -	\$ -	\$ -	\$ 410	\$ -	\$ -	\$ -	\$ 91,537
38,256	52,714	3,361	70,000	6,133	-	-	-	365,829
-	-	-	-	6,080	-	-	-	6,080
<u>38,256</u>	<u>52,714</u>	<u>3,361</u>	<u>70,000</u>	<u>12,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>463,446</u>
-	-	-	-	-	-	-	-	4,550
-	-	-	-	-	-	-	899	899
-	-	-	-	-	14,666	-	-	14,666
-	-	-	-	-	14,666	-	899	20,115
<u>\$ 38,256</u>	<u>\$ 52,714</u>	<u>\$ 3,361</u>	<u>\$ 70,000</u>	<u>\$ 12,623</u>	<u>\$ 14,666</u>	<u>\$ -</u>	<u>\$ 899</u>	<u>\$ 483,561</u>

FABENS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	211	212	224	225	242	244
	ESEA, Title I, Part A	ESEA, Title I, Part C	IDEA-Part B, Formula	IDEA-Part B, Preschool	Summer Feeding Program, TDA	Career and Technical- Basic Grant
<b>REVENUES</b>						
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-	-	-
5900 Federal Program Revenues	1,344,620	253,614	393,525	11,572	20,064	41,396
5020 Total Revenues	1,344,620	253,614	393,525	11,572	20,064	41,396
<b>EXPENDITURES</b>						
0011 Instruction	1,304,345	-	187,692	11,572	-	41,396
0012 Instructional Resources & Media Services	7,681	-	-	-	-	-
0013 Curriculum & Instructional Staff Dev.	32,594	-	20,775	-	-	-
0021 Instructional Leadership	-	189,367	12,910	-	-	-
0023 School Leadership	-	-	-	-	-	-
0031 Guidance, Counseling & Evaluation Svcs.	-	-	168,572	-	-	-
0033 Health Services	-	-	2,936	-	-	-
0035 Food Services	-	-	-	-	30,053	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-	-	-
0041 General Administration	-	-	640	-	-	-
0061 Community Services	-	64,247	-	-	-	-
6030 Total Expenditures	1,344,620	253,614	393,525	11,572	30,053	41,396
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	(9,989)	-
<b>OTHER FINANCING SOURCES (USES)</b>						
7915 Transfers In	-	-	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-	(9,989)	-
0100 Fund Balance - Beginning	-	-	-	-	14,539	-
1300 Prior Period Adjustment	-	-	-	-	-	-
3000 Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -	\$ 4,550	\$ -

255	263	289	410	429	461	499	699	
ESEA, Title II, Part A	Title III, Part A	Federally Funded Spec. Rev. Fund	State Textbook Fund	State Funded Special Revenue Funds	Campus Activity Funds	Cotton Valley Early College High School Fund	Capital Projects Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,065	\$ 40,000	\$ 558	\$ 67,623
-	-	-	91,099	29,906	-	-	-	121,005
160,470	107,365	32,406	-	-	-	-	-	2,365,032
160,470	107,365	32,406	91,099	29,906	27,065	40,000	558	2,553,660
157,764	105,224	32,406	91,099	29,906	-	20,107	-	1,981,511
-	-	-	-	-	-	-	-	7,681
-	2,141	-	-	-	-	-	-	55,510
-	-	-	-	-	-	-	-	202,277
2,706	-	-	-	-	-	20,836	-	23,542
-	-	-	-	-	-	-	-	168,572
-	-	-	-	-	-	-	-	2,936
-	-	-	-	-	-	-	-	30,053
-	-	-	-	-	22,163	-	-	22,163
-	-	-	-	-	-	-	-	640
-	-	-	-	-	-	-	-	64,247
160,470	107,365	32,406	91,099	29,906	22,163	40,943	293,059	2,852,191
-	-	-	-	-	4,902	(943)	(292,501)	(298,531)
-	-	-	-	-	-	943	-	943
-	-	-	-	-	-	943	-	943
-	-	-	-	-	4,902	-	(292,501)	(297,588)
-	-	-	-	-	9,764	(45,686)	293,400	272,017
-	-	-	-	-	-	45,686	-	45,686
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,666	\$ -	\$ 899	\$ 20,115

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

Last 10 Years Ended August 31,	1		2	3
	Tax Rates			Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	Debt Service	
2009	Various		Various	Various
2010	1.04000	0.21290	\$	133,254,382
2011	1.04000	0.19810		135,739,181
2012	1.04000	0.19810		149,367,822
2013	1.04000	0.22190		158,567,319
2014	1.04000	0.22190		150,916,713
2015	1.04000	0.22190		164,053,412
2016	1.04000	0.29030		161,161,618
2017	1.04000	0.29400		163,276,559
2018	1.04000	0.28780		190,829,417
TOTALS				



10	20	31	32	40	50
Beginning Balance 9/1/17	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/18
\$ 173,465	\$ -	\$ 3,534	\$ 723	\$ (12,855)	\$ 156,353
13,434	-	250	51	(106)	13,027
13,274	-	645	123	(106)	12,400
16,327	-	748	143	(1)	15,435
15,278	-	2,505	534	3,010	15,249
16,089	-	7,353	1,569	7,124	14,291
21,946	-	10,831	2,311	9,224	18,028
33,896	-	18,728	5,228	12,916	22,856
87,574	-	34,710	9,812	(4,798)	38,254
-	2,533,833	1,879,243	520,044	(33,108)	101,438
<u>\$ 391,283</u>	<u>\$ 2,533,833</u>	<u>\$ 1,958,547</u>	<u>\$ 540,538</u>	<u>\$ (18,700)</u>	<u>\$ 407,331</u>

FABENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – CHILD NUTRITION FUND  
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP BASIS)	
<b>REVENUES</b>				
5700 Local & Intermediate Sources	\$ 18,632	\$ 18,632	\$ 31,374	\$ 12,742
5800 State Program Revenues	8,560	8,560	8,482	(78)
5900 Federal Program Revenues	1,302,319	1,302,319	1,364,216	61,897
5020 Total Revenues	<u>1,329,511</u>	<u>1,329,511</u>	<u>1,404,072</u>	<u>74,561</u>
<b>EXPENDITURES</b>				
0035 Food Services	1,286,511	1,286,511	1,189,730	96,781
0041 General Administration	8,000	8,000	8,000	-
0051 Plant Maintenance and Operations	35,000	35,000	25,974	9,026
6030 Total Expenditures	<u>1,329,511</u>	<u>1,329,511</u>	<u>1,223,704</u>	<u>105,807</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>180,368</u>	<u>180,368</u>
1200 Net Change in Fund Balances	-	-	180,368	180,368
0100 Fund Balance-September 1 (Beginning)	460,689	460,689	460,689	-
3000 Fund Balance-August 31 (Ending)	<u>\$ 460,689</u>	<u>\$ 460,689</u>	<u>\$ 641,057</u>	<u>\$ 180,368</u>

FABENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
<b>REVENUES</b>					
5700	Local & Intermediate Sources	\$ 529,651	\$ 529,651	\$ 552,127	\$ 22,476
5800	State Program Revenues	1,700,155	1,700,155	1,766,589	66,434
5020	Total Revenues	<u>2,229,806</u>	<u>2,229,806</u>	<u>2,318,716</u>	<u>88,910</u>
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on Long Term Debt	1,161,000	1,161,000	1,161,000	-
0072	Interest on Long Term Debt	1,064,771	1,064,771	1,064,771	-
0073	Bond Issuance Cost and Fees	-	2,000	3,550	(1,550)
6030	Total Expenditures	<u>2,225,771</u>	<u>2,227,771</u>	<u>2,229,321</u>	<u>(1,550)</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,035</u>	<u>2,035</u>	<u>89,395</u>	<u>87,360</u>
1200	Net Change in Fund Balances	4,035	2,035	89,395	87,360
0100	Fund Balance-September 1 (Beginning)	200,412	200,412	200,412	-
3000	Fund Balance-August 31 (Ending)	<u>\$ 204,447</u>	<u>\$ 202,447</u>	<u>\$ 289,807</u>	<u>\$ 87,360</u>

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FABENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1 Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies as applicable?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end	\$ 5,683,977
SF13	Pension Expense (6147) at fiscal year-end	

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**FEDERAL AWARDS SECTION**

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

To the Board of Trustees of  
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, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Fabens Independent School District's basic financial statements, and have issued our report thereon dated December 21, 2018.

### **Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

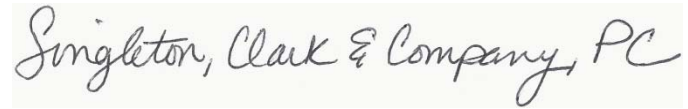
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fabens Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance, 2018-001, of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light beige rectangular background.

Singleton, Clark & Company, PC  
Cedar Park, Texas

December 21, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL  
FOR EACH MAJOR PROGRAM AS REQUIRED BY UNIFORM GUIDANCE AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Trustees of  
Fabens Independent School District

### **Report on Compliance for Each Major Federal Program**

We have audited Fabens Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fabens Independent School District's major federal programs for the year ended August 31, 2018. Fabens Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

In our opinion, Fabens Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

### **Report on Internal Control over Compliance**

Management of Fabens Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fabens Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Fabens Independent School District's internal control over compliance.

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*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

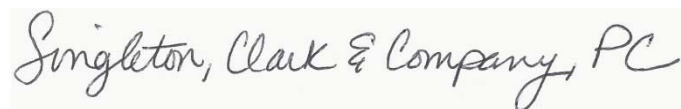
*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

### **Report on Schedule of Expenditures of Federal Awards Required by *Uniform Guidance***

We have audited the financial statements of Fabens Independent School District as of and for the year ended August 31, 2018, and have issued our report thereon dated December 21, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Singleton, Clark & Company, PC  
Cedar Park, Texas

December 21, 2018

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FABENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2018

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	1 Federal CFDA Number	2a Pass-Through Entity Identifying Number	3 Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Awards</u>			
Navy Junior Reserve Officer Training Corps	84.358A	18-071903	\$ 83,816
Total Direct Awards			<u>83,816</u>
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>83,816</u>
<u>Passed through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	S010A170043	1,383,914
ESEA, Title I, Part C - Education of Migratory Children	84.011	S011A170044	261,482
IDEA - Part B, Formula <sup>1</sup>	84.027	H027A170008	405,545
IDEA - Part B, Preschool <sup>1</sup>	84.173	H173A160004	11,572
Career and Technical Education - Basic Grant	84.048A	V048A170043	42,574
ESEA, Title II, Part A - Teacher and Principal Training	84.367A	S367A170041	160,564
Title III, Part A - English Lang. Acquisition and Enhancement	84.365A	S365A160043	110,633
LEP Summer School	84.369A	S369A160045	33,394
Total Passed through Texas Education Agency			<u>2,409,678</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>2,409,678</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed through Texas Education Agency</u>			
National School Breakfast Program <sup>2</sup>	10.553	201818N109946	215,921
National School Lunch Program <sup>2</sup>	10.555	201818N109946	1,038,843
Summer Feeding Program <sup>2</sup>	10.559	201818N109946	20,064
Total Passed through Texas Education Agency			<u>1,274,828</u>
<u>Passed through Texas Department of Agriculture</u>			
Food Distribution Program - Non-Cash Assistance <sup>2</sup>	10.555	18-071903	109,451
Total Passed through Texas Department of Agriculture			<u>109,451</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>1,384,279</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,877,773</u>

<sup>1</sup> Child Nutrition Cluster as defined in OMB Compliance Supplement.

<sup>2</sup> Special Education (IDEA) Cluster as defined in OMB Compliance Supplement.

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FABENS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2018

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal awards expenditures of Fabens Independent School District (the “District”) under programs of the federal government for the year ended August 31, 2018. The information in the accompanying Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The expenditures on the accompanying schedule of expenditures of federal awards are presented using the modified accrual basis of accounting, with the exception of the National School Lunch Program, School Breakfast Program and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Expenditures for the National School Lunch Program, School Breakfast Program and the Food Distribution Program are shown on the accompanying schedule of expenditures of federal awards in an amount equal to the related revenue, but are not specifically attributable to this revenue source. Expenditures are reported in this manner due to the Child Nutrition Fund being a fund that combines local, state, and federal revenues, and spends those resources together to support the overall operations of the Child Nutrition Program.

**Relationship to Basic Financial Statements** - Expenditures of federal awards are reported in the District’s basic financial statements in the special revenue funds.

**Relationship to Federal Financial Reports** - Amounts reported in the accompanying schedule of expenditures of federal awards agree with the amounts reported in the related federal financial reports in all significant respects.

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FABENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2018

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**FEDERAL AWARDS**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor’s report issued on compliance for major programs:

ESEA, Title I, Part A	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with the federal Uniform Guidance?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	ESEA, Title I, Part A

Dollar threshold used to distinguish Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

FABENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED AUGUST 31, 2018

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

2018-001 FY17 Electronic AFR and Datafeed Late Submission

Criteria: Per Texas Education Code, Section 44.008(d), and the Financial Accountability Resource Guide (FASRG), Sections 1.7.2 and 7.3.6.1, a complete electronic file of the Board approved AFR and data feed should have been submit by the deadline of January 28, 2018.

Condition Found: The District’s complete electronic file of the AFR including the signed certificate and the datafeed were not finalized until April 13, 2018.

Cause: The District submit a letter to TEA on February 27, 2018 explaining the cause for the late submission.

Effect: The District was not in compliance with the Texas Education Code and FASRG (sections listed above).

Recommendation: The auditor recommends proper and timely submission of all electronic files per the Texas Education Code and FASRG to ensure compliance.

Corrective Action Planned: The District will submit its AFR for the fiscal year ended August 31, 2018 per the Texas Education Code and FASRG.

Contact Person: Gilbert Alarcon, Assistant Superintendent of Finance

FABENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED AUGUST 31, 2018

**SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)**

Prior year financial statement findings as required to be restated with current status:

FS 2017-001

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.

Condition Found: The District utilizes 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 workpapers and recalculation of depreciation expenses.

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

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.

Recommendation: 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.

Current Status: During the year the District built a capital asset database in order to track its capital assets. The successor auditor identified a prior period adjustment related to the District's capital assets based on the District's database information. As of August 31, 2018 the District has an asset listing/depreciation schedule which reflects the data in the AFR, and appears to be properly monitoring these assets.

Contact Person: Gilbert Alarcon, Assistant Superintendent of Finance

FABENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED AUGUST 31, 2018

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Findings Related to Federal Awards Which are Required to be Reported in Accordance with federal Uniform Guidance:

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the years ended August 31, 2018.

Prior year federal awards findings and questioned costs as required to be restated with current status:

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 safeguard 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.



FABENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED AUGUST 31, 2018

**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)**

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

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

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 imitated by a member of 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.

Current Status: During the year the District modified its procedures/controls such that the related party review was eliminated.

Contact Person: Gilbert Alarcon, Assistant Superintendent of Finance