

FABENS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND  
COMPLIANCE REPORT

FOR THE YEAR ENDED  
AUGUST 31, 2019



SINGLETON, CLARK  
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS



FABENS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL AND COMPLIANCE REPORT  
FOR THE YEAR ENDED AUGUST 31, 2019

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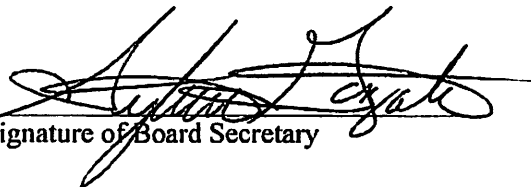
CERTIFICATE OF BOARD

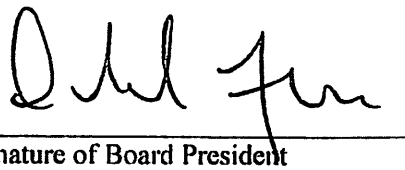
Fabens Independent School District  
Name of School District

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) XXX approved \_\_\_\_\_ disapproved for the year ended August 31, 2019, at a meeting of the Board of Trustees of such school district on the 15th day of January, 2020.

  
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, 2019, 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, 2019, 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 benefit liabilities 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019 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.



Singleton, Clark & Company, PC  
Cedar Park, Texas

December 13, 2019

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FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019

## 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, 2019. 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 \$966,639 as a result of this year's current operations to end at (\$10,398,480).
- 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 increase of \$1,357,327 to end at \$3,973,409.
- The General Fund of the District reported a fund balance increase of \$1,601,400 for the year to end at \$3,907,560.

### 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, 2019

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 and the Texas Public School Retired Employees Group Insurance Plan.

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 function.

**OVERVIEW OF THE FEDERAL AWARDS SECTION**

Report on Internal Controls and Compliance

In accordance with *Government Auditing Standards*, the auditor is required to 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, 2019

## 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, deferred outflows, liabilities, and deferred inflows 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, deferred outflows, liabilities, and deferred inflows) 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.

FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019

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

## **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.

FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019

**The District as Trustee**

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

The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages that follow the governmental fund and proprietary 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.

**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 increased from (\$12,965,483) to (\$10,398,480). 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 (\$16,690,612) at August 31, 2019. The increase in governmental net position was primarily due to the District's increase in fund balance in the General Fund related to greater than expected revenues.

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

	Governmental Activities 2019	Governmental Activities 2018	Change
Current & Other Assets	\$ 6,932,515	\$ 3,227,549	\$ 3,704,966
Capital Assets	34,589,011	35,753,970	(1,164,959)
Deferred Outflows	6,161,755	2,610,603	3,551,152
Total Assets and Deferred Outflows	47,683,281	41,592,122	6,091,159
Current Liabilities	2,870,777	2,128,037	742,740
Long-Term Liabilities	50,210,492	46,229,714	3,980,778
Deferred Inflows	5,000,492	6,199,854	(1,199,362)
Total Liabilities and Deferred Inflows	58,081,761	54,557,605	3,524,156
Net Position:			
Net Investment in Capital Assets	5,580,811	5,312,672	268,139
Restricted	711,321	454,101	257,220
Unrestricted	(16,690,612)	(18,732,256)	2,041,644
Total Net Position	\$(10,398,480)	\$(12,965,483)	\$ 2,567,003

FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019

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

	Governmental		Change
	Activities	Activities	
	2019	2018	
Revenues:			
Program Revenues:			
Charges for Services	\$ 95,726	\$ 59,085	\$ 36,641
Operating Grants & Contributions	6,078,347	730,758	5,347,589
General Revenues:			
Maintenance & Operations Taxes	2,277,645	2,027,751	249,894
Debt Service Taxes	314,036	536,551	(222,515)
State Aid - Formula Grants	19,092,732	17,873,436	1,219,296
Grants & Contributions not Restricted	1,807,989	1,492,249	315,740
Investment Earnings	101,097	54,516	46,581
Miscellaneous	22,872	117,702	(94,830)
Total Revenue	<u>29,790,444</u>	<u>22,892,048</u>	<u>6,898,396</u>
Expenses:			
Instruction	16,153,672	10,083,338	6,070,334
Instr. Resources & Media Services	298,302	179,119	119,183
Curriculum and Staff Development	281,331	123,350	157,981
Instructional Leadership	322,108	324,241	(2,133)
School Leadership	1,621,763	902,054	719,709
Guidance/Counseling Services	1,216,426	675,330	541,096
Social Work/Health Services	35,174	21,447	13,727
Health Services	352,373	200,768	151,605
Student Transportation	456,818	293,862	162,956
Food Services	1,326,165	1,281,586	44,579
Cocurricular/Extracurricular Act.	1,048,721	833,737	214,984
General Administration	1,310,744	892,875	417,869
Plant Maintenance and Operations	2,770,768	2,417,467	353,301
Security and Monitoring Services	328,572	203,409	125,163
Data Processing Services	256,016	155,644	100,372
Community Services	110,176	82,035	28,141
Debt Service	897,939	935,731	(37,792)
Other Intergovernmental Charges	36,737	36,925	(188)
Total Expenses	<u>28,823,805</u>	<u>19,642,918</u>	<u>9,180,887</u>
Change in Net Position	<u>966,639</u>	<u>3,249,130</u>	<u>(2,282,491)</u>
Net Position at 9/1/18 and 9/1/17	(12,965,483)	(13,151,986)	186,503
Prior Period Adjustment	1,600,364	(3,062,627)	4,662,991
Net Position at 8/31/19 and 8/31/18	<u><u>\$(10,398,480)</u></u>	<u><u>\$(12,965,483)</u></u>	<u><u>\$ 2,567,003</u></u>

FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019

**THE DISTRICT'S FUNDS**

As the District completed this annual period, the General Fund reported a fund balance of \$3,907,560, which is \$1,601,400 more than last year's total of \$705,796 (before prior period adjustment). The increase in fund balance is mainly attributable to greater than budgeted revenues for the year.

The District's ESEA, Title I, Part A Fund, considered a major fund for the year ended, reported a fund balance of \$0. Given that this fund accounts for a reimbursable federal program it should not have a fund balance.

The District's other governmental funds reported a combined ending fund balance of \$65,849. This combined balance is \$244,073 less than the previous year. The primary reason for this change in the combined fund balance was the decrease in the District's Debt Service Fund of \$241,255.

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. During the year, the District made significant amendments to the General Fund budget related to state program revenue and the function expenditure for instruction.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of August 31, 2019, the District had \$34,589,011 (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 2019 and 2018 is as follows:

	Governmental Activities 2019	Governmental Activities 2018	Change
Land	\$ 636,697	\$ 636,697	\$ -
Buildings	61,416,588	61,416,588	-
Furniture and Equipment	6,162,006	6,054,620	107,386
Total	<u>68,215,291</u>	<u>68,107,905</u>	<u>107,386</u>
Less Accumulated Depreciation	<u>(33,626,280)</u>	<u>(32,353,935)</u>	<u>(1,272,345)</u>
Capital Assets, Net of Depreciation	<u>\$ 34,589,011</u>	<u>\$ 35,753,970</u>	<u>\$ (1,164,959)</u>

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FABENS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019

**Debt**

At year-end, the District had \$29,248,307 in bonds and other long-term debt outstanding versus \$30,760,557 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 2019 and 2018 is as follows:

	Governmental Activities 2019	Governmental Activities 2018	Change
General Obligation Bonds	\$ 29,008,200	\$ 30,357,530	\$ (1,349,330)
Compensated absences	240,107	319,259	(79,152)
Capital Leases Payable	-	83,768	(83,768)
Total	<u>\$ 29,248,307</u>	<u>\$ 30,760,557</u>	<u>\$ (1,512,250)</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 2019-2020 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 \$24.3 million for the 2019-2020 fiscal year. This reflects an approximate increase of \$2.2 million in budgeted expenditures from fiscal year 2018-2019 to fiscal year 2019-2020.

For the 2019-2020 budget year, the District has decreased its maintenance and operations tax rate to \$1.0683 per hundred of taxable value. This decrease in the tax rate is in accordance with the requirements of House Bill 3 of the 86<sup>th</sup> Texas Legislature in 2019 which made significant changes to the Texas school finance system. The District adopted a debt service tax rate of \$.27 for the 2019-2020 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2019-2020 budget year is \$1.3383 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, 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, 2019

Data Control Codes	Primary Government 1 Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 3,818,783
1225 Property Taxes Receivable, net	133,362
1240 Due from Other Governments	2,980,370
Capital Assets:	
1510 Land	636,697
1520 Buildings and Improvements, net	33,134,704
1530 Furniture and Equipment, net	817,610
1000 Total Assets	41,521,526
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflows-Pension	5,086,035
1706 Deferred Outflows-OPEB	1,075,720
Total Deferred Outflows of Resources	6,161,755
<b>LIABILITIES</b>	
2110 Accounts Payable	356,806
2140 Interest Payable	45,034
2150 Payroll Deductions & Withholdings	126,575
2160 Accrued Wages Payable	927,503
2177 Due to Fiduciary Funds	12,789
2180 Due to Other Governments	1,134,548
2200 Accrued Expenses	258,939
2300 Unearned Revenue	8,583
Noncurrent Liabilities:	
2501 Bonds, Loans & Other Payable-Due Within One Year	1,245,000
2502 Bonds Payable - Due in More than One Year	25,648,107
2516 Unamortized Premium (Discount) on Bonds	2,355,200
2540 Net Pension Liability	9,611,188
2545 Other Post-Employment Benefits Liability	11,350,997
2000 Total Liabilities	53,081,269
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflows-Pension	1,411,034
2606 Deferred Outflows-OPEB	3,589,458
Total Deferred Inflows of Resources	5,000,492
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	5,580,811
Restricted for:	
3820 Federal & State Programs	641,057
3850 Debt Service	70,264
3900 Unrestricted	(16,690,612)
3000 Total Net Position	\$ (10,398,480)

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

FABENS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019

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>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 16,153,672	\$ 13,842	\$ 3,174,087	\$ (12,965,743)
12 Instructional Resources & Media Services	298,302	-	22,728	(275,574)
13 Curriculum & Staff Development	281,331	-	136,225	(145,106)
21 Instructional Leadership	322,108	-	132,855	(189,253)
23 School Leadership	1,621,763	-	139,654	(1,482,109)
31 Guidance/Counseling/Evaluation Services	1,216,426	-	287,765	(928,661)
32 Social Work Services	35,174	-	3,267	(31,907)
33 Health Services	352,373	-	31,040	(321,333)
34 Student Transportation	456,818	-	35,018	(421,800)
35 Food Services	1,326,165	32,040	56,523	(1,237,602)
36 Extracurricular Activities	1,048,721	49,844	55,771	(943,106)
41 General Administration	1,310,744	-	82,083	(1,228,661)
51 Plant Maintenance and Operations	2,770,768	-	107,402	(2,663,366)
52 Security and Monitoring Services	328,572	-	63,154	(265,418)
53 Data Processing Services	256,016	-	17,534	(238,482)
61 Community Services	110,176	-	67,845	(42,331)
72 Interest on Long-Term Debt	894,494	-	1,665,396	770,902
73 Bond Issuance Cost & Fees	3,445	-	-	(3,445)
99 Other Intergovernmental Charges	36,737	-	-	(36,737)
TG Total Governmental Activities:	<u>28,823,805</u>	<u>95,726</u>	<u>6,078,347</u>	<u>(22,649,732)</u>
TP TOTAL PRIMARY GOVERNMENT:	<u>\$ 28,823,805</u>	<u>\$ 95,726</u>	<u>\$ 6,078,347</u>	<u>(22,649,732)</u>
General Revenues:				
Taxes:				
MT Property Taxes, Levied for General Purposes				2,277,645
DT Property Taxes, Levied for Debt Service				314,036
SF State Aid - Formula Grants				19,092,732
GC Grants and Contributions, not Restricted				1,807,989
IE Investment Earnings				101,097
MI Miscellaneous Local and Intermediate Revenue				22,872
Total General Revenues				<u>23,616,371</u>
CN Change in Net Position				966,639
NB Net Position -- Beginning				<u>(12,965,483)</u>
PA Prior Period Adjustment				<u>1,600,364</u>
NE Net Position -- Ending				<u>\$ (10,398,480)</u>

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

FABENS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data	10	20	98	98	
Control	General	ESEA, Title I,	Other	Total	
Codes	Fund	Part A	Funds	Governmental	
Codes	Fund	Part A	Funds	Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 3,383,869	\$ -	\$ 434,914	\$ 3,818,783
1220	Property Taxes - Delinquent	348,911	-	67,849	416,760
1230	Allowance for Uncollectible Taxes (Credit)	(237,261)	-	(46,137)	(283,398)
1240	Due from Other Governments	1,906,180	419,670	654,520	2,980,370
1260	Due from Other Funds	1,168,481	-	-	1,168,481
1000A	Total Assets and Deferred Outflows	<u>\$ 6,570,180</u>	<u>\$ 419,670</u>	<u>\$ 1,111,146</u>	<u>\$ 8,100,996</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 232,948	\$ -	\$ 123,858	\$ 356,806
2150	Payroll Ded. and Withholdings Payable	126,575	-	-	126,575
2160	Accrued Wages Payable	819,499	75,736	32,268	927,503
2170	Due to Other Funds	-	343,934	824,547	1,168,481
2177	Due to Fiduciary Funds	12,789	-	-	12,789
2180	Due to Other Governments	1,100,219	-	34,329	1,134,548
2200	Accrued Expenditures	258,939	-	-	258,939
2300	Unearned Revenues	-	-	8,583	8,583
2000	Total Liabilities	<u>2,550,969</u>	<u>419,670</u>	<u>1,023,585</u>	<u>3,994,224</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2600	Deferred Inflows-Unavailable Revenues	111,651	-	21,712	133,363
	Total Deferred Inflows of Resources	<u>111,651</u>	<u>-</u>	<u>21,712</u>	<u>133,363</u>
<b>FUND BALANCES</b>					
Restricted for:					
3450	Federal or State Funds Restricted	641,057	-	-	641,057
3480	Retirement of Long-Term Debt	-	-	48,552	48,552
Assigned for:					
3590	Other Assigned Fund Balance	-	-	17,297	17,297
3600	Unassigned Fund Balance	3,266,503	-	-	3,266,503
3000	Total Fund Balances	<u>3,907,560</u>	<u>-</u>	<u>65,849</u>	<u>3,973,409</u>
Total Liabilities, Deferred Inflows, and					
4000	Fund Balances	<u>\$ 6,570,180</u>	<u>\$ 419,670</u>	<u>\$ 1,111,146</u>	<u>\$ 8,100,996</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, 2019

		1
<b>Total Fund Balances - Governmental Funds</b>		\$ 3,973,409
<p><sup>1</sup> Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 68,215,291	
Less accumulated depreciation	<u>(33,626,280)</u>	34,589,011
<p><sup>2</sup> 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	(29,008,200)	
Compensated absences	(240,107)	
Net pension liability	(9,611,188)	
Net OPEB liability	<u>(11,350,997)</u>	(50,210,492)
<p><sup>3</sup> 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>		
		(45,034)
<p><sup>4</sup> Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	5,086,035	
Deferred inflows of resources related to pensions	(1,411,034)	
Deferred outflows of resources related to OPEB	1,075,720	
Deferred inflows of resources related to OPEB	<u>(3,589,458)</u>	1,161,263
<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, property taxes receivable, net of allowance for uncollectible accounts, is added to the Statement of Net Position for governmental activities.</p>		
		133,363
<b><sup>19</sup> Net Position of Governmental Activities</b>		<u><u>\$ (10,398,480)</u></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, 2019

Data	10	20	98	
Control	General	ESEA, Title I,	Other	Total
Codes	Fund	Part A	Funds	Governmental Funds
<b>REVENUES</b>				
5700 Local and Intermediate Sources	\$ 2,426,094	\$ -	\$ 382,265	\$ 2,808,359
5800 State Program Revenues	20,046,497	-	2,014,329	22,060,826
5900 Federal Program Revenues	1,821,559	1,292,233	1,035,159	4,148,951
5020 Total Revenues	<u>24,294,150</u>	<u>1,292,233</u>	<u>3,431,753</u>	<u>29,018,136</u>
<b>EXPENDITURES</b>				
0011 Instruction	12,402,319	1,185,395	940,050	14,527,764
0012 Instructional Resources & Media Services	267,741	-	-	267,741
0013 Curriculum & Instructional Staff Development	123,055	106,838	24,324	254,217
0021 Instructional Leadership	169,081	-	118,650	287,731
0023 School Leadership	1,441,225	-	-	1,441,225
0031 Guidance, Counseling & Evaluation Services	872,301	-	205,755	1,078,056
0032 Social Work Services	31,405	-	-	31,405
0033 Health Services	312,223	-	796	313,019
0034 Student (Pupil) Transportation	412,561	-	-	412,561
0035 Food Services	1,216,072	-	34,850	1,250,922
0036 Cocurricular/Extracurricular Activities	967,044	-	-	967,044
0041 General Administration	1,187,004	-	1,000	1,188,004
0051 Plant Maintenance and Operations	2,642,762	-	900	2,643,662
0052 Security and Monitoring Services	257,302	-	41,539	298,841
0053 Data Processing Services	232,579	-	-	232,579
0061 Community Services	30,870	-	67,633	98,503
0071 Debt Service - Principal	83,768	-	1,215,000	1,298,768
0072 Debt Service - Interest	-	-	1,030,342	1,030,342
0073 Debt Service - Bond Fees	-	-	3,445	3,445
0099 Other Intergovernmental Charges	34,980	-	-	34,980
6030 Total Expenditures	<u>22,684,292</u>	<u>1,292,233</u>	<u>3,684,284</u>	<u>27,660,809</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,609,858</u>	<u>-</u>	<u>(252,531)</u>	<u>1,357,327</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
7915 Transfers In	-	-	8,458	8,458
8911 Transfers Out	(8,458)	-	-	(8,458)
7080 Total Other Financing Sources (Uses)	<u>(8,458)</u>	<u>-</u>	<u>8,458</u>	<u>-</u>
1200 Net Change in Fund Balance	1,601,400	-	(244,073)	1,357,327
0100 Fund Balance - Beginning	705,796	-	309,922	1,015,718
1300 Prior Period Adjustment	1,600,364	-	-	1,600,364
3000 Fund Balance - Ending	<u>\$ 3,907,560</u>	<u>\$ -</u>	<u>\$ 65,849</u>	<u>\$ 3,973,409</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, 2019

	<b>Total Net Change in Fund Balances – Governmental Funds</b>	\$	1,357,327
1	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.		
	Expenditures for capitalized assets	\$	107,386
	Less current year depreciation	<u>(1,272,345)</u>	(1,164,959)
2	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.		1,298,768
3	Since long-term debt is not recorded in governmental funds, amortization of related issuance premiums and discounts is also not recorded.		134,330
4	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.		1,518
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 the uncollected amount of the current year levy is added to current year property tax revenue on the Statement of Activities.		3,017
6	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.		(597,730)
7	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 OPEB 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.		(144,784)
8	Other miscellaneous differences in accounting treatments between the governmental funds and the Statement of Activities.		<u>79,152</u>
<b>19</b>	<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>966,639</u>

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, 2019

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts (GAAP BASIS)	
<b>REVENUES</b>				
5700 Local & Intermediate Sources	\$ 2,458,186	\$ 2,313,551	\$ 2,426,094	\$ 112,543
5800 State Program Revenues	17,857,609	18,427,468	20,046,497	1,619,029
5900 Federal Program Revenues	1,482,531	1,627,166	1,821,559	194,393
5020 Total Revenues	21,798,326	22,368,185	24,294,150	1,925,965
<b>EXPENDITURES</b>				
0011 Instruction	12,052,496	12,276,855	12,402,319	(125,464)
0012 Instructional Resources & Media Services	264,758	264,758	267,741	(2,983)
0013 Curriculum and Staff Development	93,594	94,594	123,055	(28,461)
0021 Instructional Leadership	160,221	172,721	169,081	3,640
0023 School Leadership	1,440,986	1,467,986	1,441,225	26,761
0031 Guidance/Counseling/Evaluation Services	831,799	863,799	872,301	(8,502)
0032 Social Work Services	35,949	35,949	31,405	4,544
0033 Health Services	314,252	314,252	312,223	2,029
0034 Student Transportation	441,802	441,802	412,561	29,241
0035 Food Services	1,362,774	1,362,774	1,216,072	146,702
0036 Extracurricular Activities	857,543	909,543	967,044	(57,501)
0041 General Administration	1,049,554	1,175,554	1,187,004	(11,450)
0051 Facilities Maintenance & Operations	2,489,865	2,564,865	2,642,762	(77,897)
0052 Security and Monitoring Services	307,687	307,687	257,302	50,385
0053 Data Processing Services	236,162	236,162	232,579	3,583
0061 Community Services	12,200	32,200	30,870	1,330
Debt Service:				
0071 Principal on Long Term Debt	85,000	85,000	83,768	1,232
Capital Outlay:				
0081 Facilities Acquisition & Construction	12,150	12,150	-	12,150
Intergovernmental:				
0099 Other Intergovernmental Charges	36,000	36,000	34,980	1,020
6030 Total Expenditures	22,084,792	22,654,651	22,684,292	(29,641)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(286,466)	(286,466)	1,609,858	1,896,324
<b>OTHER FINANCING SOURCES (USES)</b>				
8911 Transfers Out	-	-	(8,458)	(8,458)
7080 Total Other Financing Sources (Uses)	-	-	(8,458)	(8,458)
1200 Net Change in Fund Balances	(286,466)	(286,466)	1,601,400	1,887,866
0100 Fund Balance-September 1 (Beginning)	705,796	705,796	705,796	-
1300 Prior Period Adjustment	-	-	1,600,364	1,600,364
3000 Fund Balance-August 31 (Ending)	\$ 419,330	\$ 419,330	\$ 3,907,560	\$ 3,488,230

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, 2019

Data Control Codes	Private Purpose Trust Funds      Agency Funds	
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 14,946	\$ 61,015
1260 Due from Other Funds	-	12,789
1000 Total Assets	<u>14,946</u>	<u>73,804</u>
<b>LIABILITIES</b>		
Current Liabilities:		
2190 Due to Student Groups	-	73,804
2000 Total Liabilities	<u>-</u>	<u>\$ 73,804</u>
<b>NET POSITION</b>		
3800 Held in Trust	<u>14,946</u>	
3000 Total Net Position	<u>\$ 14,946</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, 2019

Data Control Codes	Private Purpose Trust Funds
<b>ADDITIONS</b>	
5700 Local and Intermediate Sources	\$ 40
5020 Total Revenues	<u>40</u>
<b>DEDUCTIONS</b>	
6400 Other Operating Costs	1,772
6030 Total Expenses	<u>1,772</u>
1200 Change in Net Position	(1,732)
0100 Net Position - Beginning	<u>16,678</u>
3000 Net Position - Ending	<u><u>\$ 14,946</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, 2019

## 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, 2019

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 Title I, Part A Fund, a major special revenue fund, is used to account for the receipt and disbursement of funds restricted for the purpose of this federal program.

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 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.

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.

FABENS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

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.

### **Budgetary Information**

Budgets are prepared annually for the General Fund, the Child Nutrition Fund (presented with the General Fund), and the Debt Service 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.

FABENS INDEPENDENT SCHOOL DISTRICT  
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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.”

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.



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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 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.

FABENS INDEPENDENT SCHOOL DISTRICT  
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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 Debt Service and Capital Projects Funds 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 programs
- 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, 2019, the carrying amount of the District's deposits was \$3,894,744 and the bank balance was \$4,381,411. The District's deposits with financial institutions at August 31, 2019 and during the year ended August 31, 2019 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 \$1,792,077.
- c) The largest cash, savings and time deposit combined account balance amounted to \$1,789,867 and occurred during the month of December 2018.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

Balances held in investment pools at August 31, 2019 consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard &amp; Poor's Rating</u>
Local Government Investment Pools:			
Lone Star Investment Pool	\$ 3,774,267	1	AAAm
Total Investments	\$ 3,774,267		

The District had investments in one external local governmental investment pool at August 31, 2019, consisting of the First Public LoneStar Governmental Investment Pool (“LoneStar”).

**LoneStar**

The Corporate Overnight Fund is a fund within the Lone Star Investment Pool. Its objective is to maintain a stable \$1.00 per share net asset value (NAV), while it provides the highest possible rate of return. The fund represents one of three Texas public investment funds sponsored by the Texas Association of School Boards (TASB). The other funds--Government Overnight Fund and Corporate Overnight Plus Fund--also maintain S&P Global ratings. The Lone Star Investment Pool was created pursuant to the Interlocal Cooperation Act of the State of Texas as an investment vehicle for local school districts and other public entities. The funds within Lone Star Investment Pool are not registered mutual funds under the Investment Company Act of 1940, and are not available to individual investors.

The Lone Star Investment Pool is sponsored by TASB. The investment advisers to the pool are American Beacon Advisors and Standish. First Public LLC provides administrative and distribution services to the pool and State Street Bank is the custodian for all pool assets. In addition, CAPTRUST Financial Advisors monitors the pool's operations and performance and reports its findings to First Public and the board of trustees for the Lone Star Investment Pools.

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, 2019, investments were included in local governmental investment pools with ratings from Standard & Poor’s in compliance with the District’s investment policy.

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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, 2019, 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. At August 31, 2019, the District had 100% of its investments in money market accounts and local governmental investment pools.

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. At August 31, 2019, investments were included in local government investment pools which have a weighted average maturity of one day.

### **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, 2018, upon which the October 2018 levy was based was \$195,145,319. 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.

FABENS INDEPENDENT SCHOOL DISTRICT  
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**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, 2019 are summarized below:

Due From Other Governments:	General Fund	Non-Major Governmental Funds	Total
<b>Governmental Activities:</b>			
Foundation & Per Capita entitlements	\$ 1,906,180	\$ -	\$ 1,906,180
State Grants	-	181,976	181,976
Federal Grants	-	892,214	892,214
<b>Total - Governmental Activities</b>	<b>\$ 1,906,180</b>	<b>\$ 1,074,190</b>	<b>\$ 2,980,370</b>
Due To Other Governments:	General Fund	Non-Major Governmental Funds	Total
<b>Governmental Activities:</b>			
Foundation & Per Capita Entitlements	\$ 1,100,219	\$ -	\$ 1,100,219
State Grants	-	34,329	34,329
<b>Total - Governmental Activities</b>	<b>\$ 1,100,219</b>	<b>\$ 34,329</b>	<b>\$ 1,134,548</b>

**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 \$8,458 to the Summer Feeding Program to provide for supplemental financing needs.

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The composition of interfund balances as of August 31, 2019 was as follows:

Receivable Fund	Payable Fund	Amount	
General Fund	Special Revenue Funds	\$	852,113
	Debt Service Fund		316,368
Total General Fund			<u>1,168,481</u>
Trust and Agency Funds	General Fund	\$	12,789
Total Trust and Agency Funds			<u>12,789</u>
Grand Total		<u>\$</u>	<u>1,181,270</u>

## 6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2019 was as follows:

	Beginning			Ending
	Balance 9/1/18	Additions	Retirements	Balance 8/31/19
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	61,416,588	-	-	61,416,588
Furniture and Equipment	6,054,620	107,386	-	6,162,006
Total Capital Assets, Being Depreciated	<u>67,471,208</u>	<u>107,386</u>	<u>-</u>	<u>67,578,594</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(27,155,270)	(1,126,614)	-	(28,281,884)
Furniture and Equipment	(5,198,665)	(145,731)	-	(5,344,396)
Total Accumulated Depreciation	<u>(32,353,935)</u>	<u>(1,272,345)</u>	<u>-</u>	<u>(33,626,280)</u>
Governmental Activities Capital Assets, Net	<u>\$ 35,753,970</u>	<u>\$ (1,164,959)</u>	<u>\$ -</u>	<u>\$ 34,589,011</u>

FABENS INDEPENDENT SCHOOL DISTRICT  
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Depreciation expense was charged to the functions of the District as follows:

Function	Depreciation Allocation
Instruction	\$ 729,792
Instructional Resources & Media	13,450
Curriculum & Staff Development	12,770
Instructional Leadership	14,454
School Leadership	72,399
Guidance/Counseling/Evaluation Services	54,155
Social Work Services	1,578
Health Services	15,724
Student Transportation	20,725
Food Services	62,839
Cocurricular/Extracurricular Activities	48,579
General Administration	59,678
Plant Maintenance and Operations	132,802
Security and Monitoring Services	15,012
Data Processing Services	11,683
Community Services	4,948
Other Intergovernmental Charges	1,757
Totals	\$ 1,272,345

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

Governmental activities long-term debt obligations at August 31, 2019 consisted of the following:

General Long-Term Debt Description	Outstanding at August 31, 2019
\$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%.	\$ 8,380,000
\$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%.	4,020,000
\$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%.	4,750,000
\$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%.	853,000
\$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%.	7,350,000
\$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%.	1,300,000
Total General Long-Term Debt	\$ 26,653,000

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The following is a summary of changes in long-term liabilities for the year ended August 31, 2019:

Type	Outstanding 9/1/18	Additions	Deletions	Outstanding 8/31/19	Due in One Year
Bonds Payable:					
General Oblig. & Refunding Bonds	\$ 27,868,000	\$ -	\$ (1,215,000)	26,653,000	\$ 1,245,000
Premium on Issuance of Bonds	2,489,530	-	(134,330)	2,355,200	-
Total Bonds	<u>30,357,530</u>	<u>-</u>	<u>(1,349,330)</u>	<u>29,008,200</u>	<u>1,245,000</u>
Other Long-Term Liabilities:					
Compensated Absences	319,259	-	(79,152)	240,791	-
Capital Leases	83,768	-	(83,768)	-	-
Total Other Long-Term Liabilities	<u>403,027</u>	<u>-</u>	<u>(162,920)</u>	<u>240,107</u>	<u>-</u>
Total Governmental Activities	<u>\$ 30,760,557</u>	<u>\$ -</u>	<u>\$ (1,512,250)</u>	<u>\$ 29,248,307</u>	<u>\$ 1,245,000</u>

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 would exceed \$0.50 per \$100 of assessed valuation of taxable property within the District.

Annual principal installments for outstanding bonds vary each year. The debt service requirements to maturity for general obligation bonds as of August 31, 2019 are as follows:

Year Ended August 31,	General Obligations		Total Requirements
	Principal	Interest	
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	1,432,000	815,026	2,247,026
2025-2029	6,495,000	3,280,305	9,775,305
2030-2034	5,530,000	2,121,975	7,651,975
2035-2039	4,455,000	1,028,138	5,483,138
2040-2044	3,205,000	334,538	3,539,538
2045	295,000	6,638	301,638
Totals	<u>\$ 26,653,000</u>	<u>\$ 11,318,445</u>	<u>\$ 37,971,445</u>



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**8. TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN**

A. Pension Plan Description

Fabens Independent School District participates in the Teacher Retirement System of Texas (TRS) which is a public employee retirement system that is a multiple-employer, cost-sharing, defined benefit pension plan with a special funding situation (the "Plan"). The Plan is administered by the Board of Trustees of TRS. Benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Texas Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees of TRS 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.

Detailed information about TRS and the Plan as a whole is available in a separately issued Comprehensive Annual Financial Report for TRS that includes financial statements and required supplementary information. That report may be obtained online at [www.trs.texas.gov](http://www.trs.texas.gov); by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

B. Benefits Provided

The Plan provides service retirement, disability, and death benefits. Membership in the Plan includes all employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.002.

C. Contributors to the Plan

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

D. Contributions

Contribution requirements are established or amended pursuant to the following state laws:

- Article 16, Section 67 of the Texas Constitution requires the Legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the Plan during the fiscal year
- Government Code section 821.006 prohibits benefit improvements, if it increases the amortization period of TRS' unfunded actuarial liabilities to greater than 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the Plan's actuary

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As the non-employer contributing entity, the State of Texas contributes to the Plan the current employer contribution rate times the aggregate annual compensation of all members of the Plan during that fiscal year, reduced by the employer paid amounts described below.

All participating employers are required to pay the employer contribution rate in the following situations:

- 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, non-educational and general funds, or local funds

In addition, employers are also required to pay surcharges in the following cases:

- When a school district or charter school does not contribute to the Federal Old-Age, Survivors, and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the applicable salary
- When employing a retiree of TRS, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge

Contribution rates and amounts for active members, employers, and the State of Texas for the current and prior fiscal year are shown below.

<u>Contribution Rates</u>	<u>2018</u>	<u>2019</u>
Active Members	7.7%	7.7%
Employers	6.8%	6.8%
State of Texas (NECE)	6.8%	6.8%
 <u>Contribution Amounts</u>		
Active Members	\$ 1,314,486	\$ 1,304,890
Employers	588,261	579,560
State of Texas (NECE)	918,698	803,669

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E. Net Pension Liability

Components of the net pension liability of the Plan as a whole as of August 31, 2018 are disclosed below.

<u>Components of Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 209,611,329,000
Less: Plan Fiduciary Net Position	(154,568,902,000)
Net Pension Liability	<u>\$ 55,042,427,000</u>
 Net Position as a Percentage of Total Pension Liability	 73.74%

F. Actuarial Methods and Assumptions

A change was made in the measurement date of the total pension liability for the current fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using roll forward procedures.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the Plan's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three year period ending August 31, 2017 and were adopted in July 2018.

The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

The long-term expected rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on Pension Plan investments was determined using a building-block method in which best-estimate 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.

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Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation as of August 31, 2018 are shown below.

Asset Class	Target Allocation <sup>1</sup>	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
<b>Stable Value</b>			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
<b>Risk Parity</b>			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectations			2.30%
Volatility Drag <sup>2</sup>			-0.79%
<b>Total</b>	<u>100.00%</u>		<u>7.25%</u>

1 - Target allocations are based on the FY2016 policy model.

2 - The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

The following table discloses the assumptions that were applied to this measurement period.

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-Term Expected Rate	7.25%
Municipal Bond Rate as of August 2018	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data 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.
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

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G. Discount Rate

A single discount rate of 6.907 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2013 legislative session. It is assumed that future employer and state contributions will be 7.76 percent of payroll. This includes a factor for the rehired retirees and the Non-OASDI surcharge. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

H. Changes of Assumptions Since the Prior Measurement Date

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018
- The long term assumed rate of return changed from 8.0 percent to 7.25 percent
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability

I. Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

The following table presents the net pension liability associated with the District using the discount rate of 6.907 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 5.907 percent, or one percentage point higher, 7.907 percent, than the current rate.

	1% Decrease in Discount Rate of 5.907%	Current Discount Rate of 6.907%	1% Increase in Discount Rate 7.907%
District's Proportionate Share of the Net Pension Liability:	\$ 14,505,588	\$ 9,611,188	\$ 5,648,882

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

The net pension liability of the Plan as a whole was last measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District was assigned a proportion of the Plan's net pension liability based on the District's contributions to the Plan relative to the contributions of all employers for the period September 1, 2017 through August 31, 2018.

The table below presents a two-year comparison of the District's assigned proportion and resulting proportionate share of the collective net pension liability, as well as the State's proportionate share of the net pension liability associated with the District.

	Measurement Date		Change
	8/31/2017	8/31/2018	
District's Proportion of the Collective Net Pension Liability	0.000177765326	0.000174614181	-0.000003151145
District's Proportionate Share of the Net Pension Liability	\$ 5,683,977	\$ 9,611,188	\$ 3,927,211
State's Proportionate Share of the Net Pension Liability Associated with the District	7,624,311	12,405,726	4,781,415
Total Pension Liability	\$ 13,308,288	\$ 22,016,914	\$ 8,708,626

At August 31, 2019, 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	\$ 59,908	\$ 235,821
Changes in Actuarial Assumptions	3,465,296	108,291
Difference Between Projected and Actual Investment Earnings	499,487	681,852
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	481,784	385,070
Contributions Paid to TRS Subsequent to the Measurement Date	579,560	-
Total	\$ 5,086,035	\$ 1,411,034

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

Measurement Year Ended August 31,	Pension Expense Amount
2019	\$ 841,573
2020	457,801
2021	357,098
2022	517,642
2023	552,347
Thereafter	368,980

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For the year ended August 31, 2019, Fabens Independent School District recognized pension expense of \$597,730 and revenue of \$1,227,835 for support provided by the State.

**9. EMPLOYEE HEALTH CARE COVERAGE**

During the year ended August 31, 2019, 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. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – TRS-CARE**

A. Plan Description

Fabens Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care) which is a multiple- employer, cost-sharing, defined benefit Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The Board of Trustees of TRS administers the TRS-Care program and the related fund in accordance with the Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards. Further detailed information regarding TRS and TRS-Care is available in a separately issued Comprehensive Annual Financial Report for TRS that includes financial statements and required supplementary information. That report may be obtained online at [www.trs.texas.gov](http://www.trs.texas.gov); by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

B. Benefits Provided

TRS-Care provides a basic health insurance coverage at no cost to all retirees from public schools, charter schools, regional service centers, and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Medicare retirees and their dependents may pay premiums to participate in the Medicare Advantage health plans. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

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The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums

C. Contributors to TRS-Care

Contributors to the plan include active and retired members, employers, and the State of Texas as the only non-employer contributing entity. Employers include public schools, educational districts, regional service centers and open-enrollment charter schools whose employees are members of the Teacher Retirement System of Texas.

D. 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 participating employers are based on active employee compensation. The TRS Board does not have the authority to set or amend contribution rates.

At the inception of the plan, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, appropriations and contributions have been established to be sufficient to provide benefits for each successive biennium.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee rate which is 0.65 percent of pay. Section 1575.204 establishes a public school 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 public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2018.



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Contribution rates and amounts for active employees, participating employers, and the State of Texas for the current and prior fiscal year are shown below.

<u>Contribution Rates</u>	2018	2019
Active Employees	0.65%	0.65%
Participating Employers	0.75%	0.75%
State of Texas (NECE)	1.25%	1.25%
Federal/Private Funding*	1.25%	1.25%

<u>Contribution Amounts</u>		
Active Employees	\$ 110,619	\$ 109,988
Participating Employers	156,834	155,235
State of Texas (NECE)	162,123	141,824

\* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of the TRS. The TRS Care surcharges for fiscal year 2018 totaled \$10,264,182.

To alleviate a funding shortfall for the 2018-2019 biennium, Senate Bill 1, 85th Legislature, Regular Session provided a one-time supplemental contribution in the amount of \$182.6 million and also provided the following increases in contributions for fiscal years 2018-19:

- Increased the State contribution rate by 0.25 percent of active employee payroll to 1.25 percent
- Increased the employer contribution rate by 0.20 percent of active employee payroll to 0.75 percent

House Bill 3976 made the 0.25 percent increase in the State contribution a permanent and ongoing increase of state funding to the program. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. One-time supplemental contributions during fiscal year 2018 totaled \$394.6 million.

The premium rates for health insurance in the following table are based on the years of service of the retiree. The following schedule shows the monthly rates for an average retiree with 20 to 29 years of service for the standard plan with Medicare Part A and Part B.

TRS-Care Standard Plan Premium Rates Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1	TRS-Care 2	TRS-Care 3
Retiree or Surviving Spouse	\$ -	\$ 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

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The new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018 and are reflected in the following table.

TRS-Care Standard Plan Premium Rates		
Effective January 1, 2018 - December 31, 2018		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse/Children	468	408
Retiree and Family	1,020	999

E. Net OPEB Liability

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are disclosed in the following table.

<u>Components of OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 50,729,490,103
Less: Plan Fiduciary Net Position	(798,574,633)
Net OPEB Liability	<u>\$ 49,930,915,470</u>

Net Position as a Percentage of Total OPEB Liability 1.57%

F. Actuarial Methods and Assumptions

*Roll Forward*

A change was made in the measurement date of the total OPEB liability for this fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This is the first year using the roll forward procedures.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in this report.

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2018 TRS annual pension actuarial valuation:

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

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The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The Post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

*Health Care Trend Rates*

Initial medical trend rates of 107.74 percent and 9.00 percent for Medicare retirees and an initial medical trend rate of 6.75 percent for non-Medicare retirees. Initial prescription drug trend rate of 11.00 percent for all retirees. The first year trend increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.

Actuarial Methods and Assumptions

Valuation Date	8/31/17, rolled forward to 8/31/18
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69%. Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of 8/31/18.
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

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.

G. Discount Rate

A single discount rate of 3.69 percent was used to measure the total OPEB liability. There was a change of 0.27 percent in the discount rate since the previous year. Because the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

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H. Changes of Assumptions Since the Prior Measurement Date

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion

I. Changes of Benefit Terms Since the Prior Measurement Date

See Section B which lists the changes made effective September 1, 2017 by the 85th Texas Legislature.

J. Discount Rate Sensitivity Analysis

The following presents the net OPEB liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower, 2.69 percent, or one-percentage point higher, 4.69 percent, than the AA/Aa rate.

	1% Decrease in Discount Rate 2.69%	Current Discount Rate 3.69%	1% Increase in Discount Rate 4.69%
District's proportionate share of the Net OPEB Liability	\$ 13,511,587	\$ 11,350,997	\$ 9,641,832

K. Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability	\$ 9,427,188	\$ 11,350,997	\$ 13,884,695

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L. Net OPEB Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, and OPEB Expense

The net OPEB liability of the TRS-Care program as a whole was last measured as of August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District was assigned a proportion of TRS Care's net OPEB liability based on the District's contributions to the program relative to the contributions of all employers for the period September 1, 2017 through August 31, 2018.

The table below presents a two-year comparison of the District's assigned proportion and resulting proportionate share of the collective net OPEB liability, as well as the State's proportionate share of the net OPEB liability associated with the District.

	Measurement Date		Change
	8/31/2017	8/31/2018	
District's Proportion of the Collective Net OPEB Liability	0.000225017789	0.000227334048	0.000002316259
District's Proportionate Share of the Net OPEB Liability	\$ 9,785,180	\$ 11,350,997	\$ 1,565,817
State's Proportionate Share of the Net OPEB Liability Associated with the District	12,262,692	13,387,260	1,124,568
Total OPEB Liability	<u>\$ 22,047,872</u>	<u>\$ 24,738,257</u>	<u>\$ 2,690,385</u>

At August 31, 2019, 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	\$ 602,355	\$ 179,135
Changes in actuarial assumptions	189,417	3,410,323
Difference between projected and actual investment earnings	1,985	-
Change in proportion and difference between the employer's contributions and the proportionate share of contributions	126,728	-
Contributions paid to TRS subsequent to the measurement date	155,235	-
Total	<u>\$ 1,075,720</u>	<u>\$ 3,589,458</u>

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 August 31,	Pension Expense Amount
2019	\$ (430,982)
2020	(430,982)
2021	(430,982)
2022	(431,357)
2023	(431,572)
Thereafter	(513,098)

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For the year ended August 31, 2019, Fabens Independent School District recognized OPEB expense of \$144,784 and revenue of \$486,949 for support provided by the State.

#### **11. FRINGE BENEFITS PAID BY OTHER GOVERNMENTS**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2019 and August 31, 2018, the subsidy payments received by TRS-Care on behalf of the District were \$54,701 and \$68,301, respectively.

#### **12. 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.

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**13. 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	\$ 2,271,699	\$ -	\$ 316,965	\$ -	\$ 2,588,664
Tuition and Fees	-	-	13,842	-	13,842
Investment Income	75,914	-	25,184	40	101,138
Rent	2	-	-	-	2
Food Sales	32,040	-	-	-	32,040
Athletics	17,866	-	-	-	17,866
Enterprising Revenues	5,702	-	26,274	-	31,976
Miscellaneous Local Revenue	22,871	-	-	-	22,871
Total	<u>\$ 2,426,094</u>	<u>\$ -</u>	<u>\$ 382,265</u>	<u>\$ 40</u>	<u>\$ 2,808,399</u>

**14. UNEARNED REVENUE**

Unearned revenue at August 31, 2019 consisted of the following amounts:

Fund	State Grants	Federal Grants	Total
Non-Major Governmental Funds	\$ 6,080	\$ 2,503	\$ 8,583
Total	<u>\$ 6,080</u>	<u>\$ 2,503</u>	<u>\$ 8,583</u>

**15. 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, 2019, 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.

**16. 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, 2019, 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.

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**17. 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
2018	\$ 183,522	\$ 84,112	\$ (52,607)	\$ 215,027
2019	215,027	140,041	(95,949)	259,119

**18. PRIOR PERIOD ADJUSTMENT**

During the year, the District decided to begin accruing Foundation revenue for the school days occurring in August. The decision prompted recording a prior period adjustment related to prior year for those respective days. The effect of the adjustment for governmental activities and the General Fund is shown below.

	Governmental Activities
Net position as previously stated at August 31, 2018	\$ (12,965,483)
Effect of accruing August school days as of last day of fiscal year	1,600,364
Net Position as restated at August 31, 2018	<u>\$ (11,365,119)</u>

	General Fund
Fund balance as previously stated at 8/31/2018	\$ 705,796
Effect of accruing August school days as of last day of fiscal year	1,600,364
Fund balance as restated at 8/31/2018	<u>\$ 2,306,160</u>

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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, 2019

	Measurement Year				
	2014	2015	2016	2017	2018
District's Proportion of the Net Pension Liability	0.0155416000%	0.0198328000%	0.0179081100%	0.0177765326%	0.0174614181%
District's Proportionate Share of the Net Pension Liability	\$ 4,151,377	\$ 7,010,631	\$ 6,767,209	\$ 5,683,977	\$ 9,611,188
State's Proportionate Share of the District Net Pension Liability	8,203,939	9,182,430	9,412,606	7,624,311	12,405,726
Total Pension Liability	<u>\$ 12,355,316</u>	<u>\$ 16,193,061</u>	<u>\$ 16,179,815</u>	<u>\$ 13,308,288</u>	<u>\$ 22,016,914</u>
District's Covered-Employee Payroll	\$ 16,923,535	\$ 17,103,249	\$ 16,880,401	\$ 17,040,680	\$ 17,071,247
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%	56.3%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	83.25%	78.43%	78.00%	82.17%	73.74%

The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

This schedule reflects the available years of data since the adoption of GASB 68.

FABENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS –  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2019

	Fiscal Year				
	2015	2016	2017	2018	2019
Contractually Required Contribution	\$ 587,240	\$ 590,529	\$ 606,176	\$ 588,261	\$ 579,560
Contribution in Relation to the Contractually Required Contribution	(587,240)	(590,529)	(606,176)	(588,261)	(579,560)
Contribution Deficiency (Excess)	<u>\$ -</u>	<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	\$ 16,691,316
Contributions as a Percentage of Covered-Employee Payroll	3.4%	3.5%	3.6%	3.4%	3.5%

The amounts presented are as of the District's fiscal year end of August 31.

This schedule reflects the available years of data since the inception of GASB 68 and will eventually reflect ten years of data.

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, 2019

	Measurement Year	
	2017	2018
District's Proportion of the Net Liability for Other Post Employment Benefits	0.0225017789%	0.0227334048%
District's Proportionate Share of the Net Post Employment Benefit Liability	9,785,180	11,350,997
State's Proportionate Share of the Net Post Employment Benefit Liability Associated with the District	<u>12,262,692</u>	<u>13,387,260</u>
Total Other Post Employment Benefits Liability	<u>\$ 22,047,872</u>	<u>\$ 24,738,257</u>
District's Covered Payroll	\$ 17,071,247	\$ 17,071,247
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	57%	66%
Plan Fiduciary Net Position as a Percentage of the Total Net OPEB Liability	0.91%	1.57%

The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

This schedule reflects the available years of data since the adoption of GASB 75.

FABENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS –  
 TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN  
 FOR THE YEAR ENDED AUGUST 31, 2019

	Fiscal Year		
	2017	2018	2019
Contractually Required Contribution	\$ 93,422	\$ 156,834	\$ 155,235
Contribution in Relation to the Contractually Required Contribution	<u>(93,422)</u>	<u>(156,834)</u>	<u>(155,235)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 17,040,680	\$ 17,071,247	\$ 16,691,316
Contributions as a Percentage of Covered Payroll	0.5%	0.9%	0.9%

The amounts presented are as of the District's fiscal year end of August 31.

This schedule reflects the available years of data since the inception of GASB 75 and will eventually reflect ten years of data.

FABENS INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2019

Teacher Retirement System Pension Plan

*Actuarial Assumptions*

The information presented in the required supplementary schedules was used in the actuarial valuation for determining the actuarially determined contribution rate and the Net Pension Liability in accordance with GASB-68. Actuarial methods and assumptions used for funding purposes can be found in the Defined Benefit Pension Plan note to the financial statements.

*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*

The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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Texas Public School Retired Employees Group Insurance Plan

*Actuarial Assumptions*

Actuarial methods and assumptions used for funding purposes can be found in the Defined Other Post-Employment Benefit Plan note to the financial statements.

*Changes of Benefit Terms*

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums



FABENS INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2019

*Changes of Assumptions Since the Prior Measurement Date*

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the TOL.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the TOL.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the TOL.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

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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, 2019

Data Control Codes	212	224	225	226	242
	ESEA, Title I, Part C	IDEA-Part B, Formula	IDEA-Part B, Preschool	IDEA-Part B, Discretionary	Summer Feeding Program, TDA
<b>ASSETS</b>					
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,040
1220 Property Taxes - Delinquent	-	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-	-
1240 Due from Other Governments	41,815	202,590	6,146	-	-
1000A Total Assets	<u>\$ 41,815</u>	<u>\$ 202,590</u>	<u>\$ 6,146</u>	<u>\$ -</u>	<u>\$ 1,040</u>
<b>LIABILITIES</b>					
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 1,040
2160 Accrued Wages Payable	8,215	8,961	-	-	-
2170 Due to Other Funds	33,600	193,629	6,146	-	-
2180 Due to Other Governments	-	-	-	-	-
2300 Unearned Revenues	-	-	-	-	-
2000 Total Liabilities	<u>41,815</u>	<u>202,590</u>	<u>6,146</u>	<u>-</u>	<u>1,040</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2600 Unavailable Revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted for:					
3480 Retirement of Long-Term Debt	-	-	-	-	-
Assigned for:					
3590 Other Assigned Fund Balance	-	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 41,815</u>	<u>\$ 202,590</u>	<u>\$ 6,146</u>	<u>\$ -</u>	<u>\$ 1,040</u>

244	255	263	289	410	429	461	499
Career and Technical- Basic Grant	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
\$ -	\$ -	\$ -	\$ -	\$ 10,839	\$ 6,490	\$ 17,297	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,661	70,784	90,672	47,876	181,976	-	-	-
<u>\$ 12,661</u>	<u>\$ 70,784</u>	<u>\$ 90,672</u>	<u>\$ 47,876</u>	<u>\$ 192,815</u>	<u>\$ 6,490</u>	<u>\$ 17,297</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 122,818	\$ -	\$ -	\$ -
-	-	14,682	-	-	410	-	-
12,661	70,784	75,990	45,373	69,997	-	-	-
-	-	-	-	-	-	-	-
-	-	-	2,503	-	6,080	-	-
<u>12,661</u>	<u>70,784</u>	<u>90,672</u>	<u>47,876</u>	<u>192,815</u>	<u>6,490</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	17,297	-
-	-	-	-	-	-	17,297	-
<u>\$ 12,661</u>	<u>\$ 70,784</u>	<u>\$ 90,672</u>	<u>\$ 47,876</u>	<u>\$ 192,815</u>	<u>\$ 6,490</u>	<u>\$ 17,297</u>	<u>\$ -</u>

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FABENS INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data	599	699	Total Non-
Control	Debt Service	Capital	Major
Codes	Fund	Projects Fund	Governmental
			Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 399,248	\$ -	\$ 434,914
1220 Property Taxes - Delinquent	67,849	-	67,849
1230 Allowance for Uncollectible Taxes (Credit)	(46,137)	-	(46,137)
1240 Due from Other Governments	-	-	654,520
1000A Total Assets	<u>\$ 420,960</u>	<u>\$ -</u>	<u>\$ 1,111,146</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ -	\$ -	\$ 123,858
2160 Accrued Wages Payable	-	-	32,268
2170 Due to Other Funds	316,367	-	824,547
2180 Due to Other Governments	34,329	-	34,329
2300 Unearned Revenues	-	-	8,583
2000 Total Liabilities	<u>350,696</u>	<u>-</u>	<u>1,023,585</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2600 Unavailable Revenue	21,712	-	21,712
Total Deferred Inflows of Resources	<u>21,712</u>	<u>-</u>	<u>21,712</u>
<b>FUND BALANCES</b>			
Restricted for:			
3480 Retirement of Long-Term Debt	48,552	-	48,552
Assigned for:			
3590 Other Assigned Fund Balance	-	-	17,297
3000 Total Fund Balances	<u>48,552</u>	<u>-</u>	<u>65,849</u>
4000 Total Liab., Def. Inflows, and Fund Balances	<u>\$ 420,960</u>	<u>\$ -</u>	<u>\$ 1,111,146</u>

FABENS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	212	224	225	226	242
	ESEA, Title I, Part C	IDEA-Part B, Formula	IDEA-Part B, Preschool	IDEA-Part B, Discretionary	Summer Feeding Program, TDA
<b>REVENUES</b>					
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-	-
5900 Federal Program Revenues	181,533	435,159	8,470	9,678	21,842
5020 Total Revenues	181,533	435,159	8,470	9,678	21,842
<b>EXPENDITURES</b>					
0011 Instruction	10,694	200,740	8,470	1,510	-
0013 Curriculum & Instructional Staff Dev.	-	24,324	-	-	-
0021 Instructional Leadership	103,206	15,444	-	-	-
0031 Guidance, Counseling & Evaluation Svcs.	-	192,855	-	8,168	-
0033 Health Services	-	796	-	-	-
0035 Food Services	-	-	-	-	34,850
0041 General Administration	-	1,000	-	-	-
0051 Plant Maintenance and Operations	-	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-	-
0061 Community Services	67,633	-	-	-	-
0071 Debt Service - Principal	-	-	-	-	-
0072 Debt Service - Interest	-	-	-	-	-
0073 Debt Service - Bond Issuance Costs	-	-	-	-	-
6030 Total Expenditures	181,533	435,159	8,470	9,678	34,850
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	(13,008)
<b>OTHER FINANCING SOURCES (USES)</b>					
7915 Transfers In	-	-	-	-	8,458
7080 Total Other Financing Sources (Uses)	-	-	-	-	8,458
1200 Net Change in Fund Balance	-	-	-	-	(4,550)
0100 Fund Balance - Beginning	-	-	-	-	4,550
3000 Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -	\$ -



244	255	263	289	410	429	461	499
Career and Technical- Basic Grant	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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,286	\$ 13,842
-	-	-	-	348,933	-	-	-
46,361	142,706	93,795	95,615	-	-	-	-
46,361	142,706	93,795	95,615	348,933	-	26,286	13,842
46,361	142,706	93,795	49,344	348,933	-	23,655	13,842
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	4,732	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	41,539	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
46,361	142,706	93,795	95,615	348,933	-	23,655	13,842
-	-	-	-	-	-	2,631	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,631	-
-	-	-	-	-	-	14,666	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,297	\$ -

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FABENS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	599 Debt Service Fund	699 Capital Projects Fund	Total Non- Major Governmental Funds
<b>REVENUES</b>			
5700 Local and Intermediate Sources	\$ 342,136	\$ 1	\$ 382,265
5800 State Program Revenues	1,665,396	-	2,014,329
5900 Federal Program Revenues	-	-	1,035,159
5020 Total Revenues	<u>2,007,532</u>	<u>1</u>	<u>3,431,753</u>
<b>EXPENDITURES</b>			
0011 Instruction	-	-	940,050
0013 Curriculum & Instructional Staff Dev.	-	-	24,324
0021 Instructional Leadership	-	-	118,650
0031 Guidance, Counseling & Evaluation Svcs.	-	-	205,755
0033 Health Services	-	-	796
0035 Food Services	-	-	34,850
0041 General Administration	-	-	1,000
0051 Plant Maintenance and Operations	-	900	900
0052 Security and Monitoring Services	-	-	41,539
0061 Community Services	-	-	67,633
0071 Debt Service - Principal	1,215,000	-	1,215,000
0072 Debt Service - Interest	1,030,342	-	1,030,342
0073 Debt Service - Bond Issuance Costs	3,445	-	3,445
6030 Total Expenditures	<u>2,248,787</u>	<u>900</u>	<u>3,684,284</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(241,255)	(899)	(252,531)
<b>OTHER FINANCING SOURCES (USES)</b>			
7915 Transfers In	-	-	8,458
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>8,458</u>
1200 Net Change in Fund Balance	(241,255)	(899)	(244,073)
0100 Fund Balance - Beginning	<u>289,807</u>	<u>899</u>	<u>309,922</u>
3000 Fund Balance - Ending	<u>\$ 48,552</u>	<u>\$ -</u>	<u>65,849</u>

FABENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31,	1		2	3
	Tax Rates			Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service		
2010	Various		Various	Various
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
2019	1.17000	0.15780		195,145,319
TOTALS				

10	20	31	32	40	50
Beginning Balance 9/1/18	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/19
\$ 169,380	\$ -	\$ 1,117	\$ 214	\$ (4,555)	\$ 163,494
12,400	-	53	10	(1)	12,336
15,435	-	127	24	1	15,285
15,249	-	1,893	404	-	12,952
14,291	-	1,946	415	-	11,930
18,028	-	3,519	751	(19)	13,739
22,856	-	5,912	1,650	-	15,294
38,254	-	7,793	2,203	(5,866)	22,392
101,438	-	16,512	4,569	(34,830)	45,527
-	2,591,140	2,191,727	295,602	-	103,811
<u>\$ 407,331</u>	<u>\$ 2,591,140</u>	<u>\$ 2,230,599</u>	<u>\$ 305,842</u>	<u>\$ (45,270)</u>	<u>\$ 416,760</u>

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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, 2019

Data Control Codes	Budgeted Amounts		Actual	Variance With Final Budget	
	Original	Final	Amounts (GAAP BASIS)		
	<b>REVENUES</b>				
5700	Local & Intermediate Sources	\$ 577,297	\$ 577,297	\$ 342,136	\$ (235,161)
5800	State Program Revenues	1,679,649	1,679,649	1,665,396	(14,253)
5020	Total Revenues	2,256,946	2,256,946	2,007,532	(249,414)
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on Long Term Debt	1,213,000	1,213,000	1,215,000	(2,000)
0072	Interest on Long Term Debt	1,030,342	1,030,342	1,030,342	-
0073	Bond Issuance Cost and Fees	2,000	2,000	3,445	(1,445)
6030	Total Expenditures	2,245,342	2,245,342	2,248,787	(3,445)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	11,604	11,604	(241,255)	(252,859)
1200	Net Change in Fund Balances	11,604	11,604	(241,255)	(252,859)
0100	Fund Balance-September 1 (Beginning)	289,807	289,807	289,807	-
3000	Fund Balance-August 31 (Ending)	\$ 301,411	\$ 301,411	\$ 48,552	\$ (252,859)

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FABENS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 FOR THE YEAR ENDED AUGUST 31, 2019

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	\$ 9,611,188
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, 2019, 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 13, 2019.

### **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, 2019-001, 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 on a light yellow background. The signature reads "Singleton, Clark & Company, PC" in a cursive, professional script.

Singleton, Clark & Company, PC  
Cedar Park, Texas

December 13, 2019

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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, 2019. 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, 2019.

### **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.

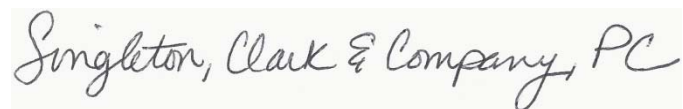
*A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or 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, 2019, and have issued our report thereon dated December 13, 2019, 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 13, 2019

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FABENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2019

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	12.000	19-071903	\$ 81,457
Total Direct Awards			<u>81,457</u>
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			<u>81,457</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed through Texas Education Agency</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	S010A180043	1,343,066
ESEA, Title I, Part C - Education of Migratory Children	84.011	S011A180044	188,891
IDEA - Part B, Formula <sup>1</sup>	84.027	H027A180008	449,654
IDEA - Part B, Preschool <sup>1</sup>	84.173	H173A180004	8,806
IDEA - Part B, Discretionary <sup>1</sup>	84.027	H027A170008	9,678
Career and Technical Education - Basic Grant	84.048A	V048A180043	47,861
ESEA, Title II, Part A - Teacher and Principal Training	84.367A	S367A170041	148,200
Title III, Part A - English Lang. Acquisition and Enhancement	84.365A	S365A170043	94,831
Title IV, Part A - Student Support and Academic Enrichment	84.424A	S424A170045	99,405
Total Passed through Texas Education Agency			<u>2,390,392</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>2,471,849</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed through Texas Education Agency</u>			
National School Breakfast Program <sup>2</sup>	10.553	201919N109946	210,020
National School Lunch Program <sup>2</sup>	10.555	201919N109946	998,425
Summer Feeding Program <sup>2</sup>	10.559	201919N109946	21,842
Total Passed through Texas Education Agency			<u>1,230,287</u>
<u>Passed through Texas Department of Agriculture</u>			
Food Distribution Program - Non-Cash Assistance <sup>2</sup>	10.555	19-071903	78,631
Total Passed through Texas Department of Agriculture			<u>78,631</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>1,308,918</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,780,767</u>
<i>Not Considered Federal Financial Assistance:</i>			
School Health and Related Services (SHARS) Revenue			<u>368,184</u>
<b>TOTAL FEDERAL REVENUE PER STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE</b>			<u>\$ 4,148,951</u>

<sup>1</sup> Special Education (IDEA) Cluster as defined in OMB Compliance Supplement.

<sup>2</sup> Child Nutrition 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, 2019

**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, 2019. 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, 2019

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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:

NSLP-Child Nutrition Cluster	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>
10.553, 10.555 and 10.559	NSLP-Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

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FABENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED AUGUST 31, 2019

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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:

2019-001 Budgetary Compliance

Criteria: Each year the District's Board of Trustees adopts an appropriations budget which limits expenditure amounts within specific function line items.

Condition Found: As of year-end, actual expenditures in six functions and the transfer out limit exceeded materially their respective amended budget amounts and the following negative budget variances were noted: Instruction \$125,464; Curriculum and Staff Development \$28,461; Guidance Counseling/Evaluation Services \$8,502; Extracurricular Activities \$57,501; General Administration \$11,450; Facilities Maintenance & Operations \$77,897 and Transfer Out \$8,458.

Cause: The District did not amend the identified functions sufficiently to not cause negative variances as of the last day of the fiscal year.

Effect: The effect of this condition is a technical noncompliance with the legally adopted appropriations budget.

Recommendation: We recommend monitoring of expenditures and proper amendment of legally adopted budgets as needed as of the last day of the fiscal year.

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

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 annual financial report (AFR) and the datafeed should have been submit by the deadline of January 28, 2018.

Condition Found: The District's complete electronic file of the AFR including 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 in Criteria).

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

Current Status: The FY18 AFR and datafeed were submit properly and timely.

Contact Person: Yvonne Coupland, Chief Business Officer

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FABENS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED AUGUST 31, 2019

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**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, 2019 and 2018.

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**FABENS INDEPENDENT SCHOOL DISTRICT  
821 NE 'G' AVENUE  
FABENS, TEXAS 79838**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2019**

Current Year Audit Findings:

2019-001      Budgetary Compliance

Corrective Action Planned:

The District will monitor function level expenditures in funds with legally adopted budgets to ensure amendments if needed are made by the last fiscal day of the year.

Anticipated Completion Date: FY2020

Contact Person: Yvonne Coupland, Chief Business Officer