

**FABENS
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

**FOR THE YEAR ENDED
AUGUST 31, 2016**

**FABENS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2015**

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CERTIFICATE OF BOARD

Fabens Independent School District El Paso 071-903
Name of School District County Co.-Dist. Number

We, the undersigned, certify that the attached annual financial and compliance report of the above-named school district were reviewed and (check one) X approved disapproved for the year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the 18th day of January, 2017.

*Authorized signature available on
Original report on file with TEA.*

Signature of Board Secretary

*Authorized signature available on
Original report on file with TEA.*

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)

UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION - STATE OR LOCAL GOVERNMENTAL ENTITY

Independent Auditor's Report

Board of Trustees
Fabens Independent School District
Fabens, Texas 79838

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fabens Independent School District (the "District") as of and for the year ended August 31, 2016, 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual non-major fund financial statements, the TEA required schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, TEA required schedules, and schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement 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 above supplementary information is 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 January 18, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Authorized signature available on
Original report on file with TEA*

Smith & Rives, PC
Monahans, Texas
January 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Fabens Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2016. Please read it in conjunction with our Independent Auditor's Report on page 1 and the District's Basic Financial Statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

The District's net position decreased by \$1,992,810 as a result of this year's operations. Our District does not have any business-type activities; so all changes are attributable to our governmental activities. (Exhibit B-1)

During the year, the District had expenditures that were \$2,969,590 more than the \$27,716,184 generated in tax and other revenues for governmental programs (before special items). This compares to last year when expenditures were more than revenues by \$671,353. (Exhibit C-3)

Total cost of all of the District's programs increased by 8.92%. (Exhibit B-1)

The General Fund ended the year with a fund balance of \$1,523,479. (Exhibit C-3)

The resources available for appropriation were \$580,922 more than budgeted for the General Fund. This is primarily due to receiving more State and Federal funding than anticipated. Function 35 had actual expenditures that were significantly more than the amended budget. (Exhibit C-5)

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 21) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 4. Its primary purpose 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 (page 10) includes all the District's assets and liabilities at the end of the year while the Statement of Activities (page 11) includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the basis used by private sector companies.

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

These two statements report the District's net position and changes in it. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial 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 we present only the following activity:

Governmental Activities - Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I, Part A from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two types of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds: Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

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 19 and 20. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities decreased from \$7,828,832 to \$5,336,871. 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 - had a deficit of \$3,765,106 at August 31, 2016. The primary reasons for this decrease in net position are due to issuing new debt for future capital expenditures and depreciation, a non-cash expense.

Table I
Fabens Independent School District
NET POSITION

	Governmental Activities	
	2016	2015
Current and Other Assets	7,934,742	8,353,328
Capital Assets	36,526,907	35,398,643
Total Assets	<u>44,461,649</u>	<u>43,751,971</u>
Deferred Charge for Refunding	0	499,151
Deferred Outflow Related to TRS	2,624,394	921,286
Total Deferred Outflows of Resources	<u>3,779,396</u>	<u>1,420,437</u>
Long-Term Liabilities	39,973,568	35,131,750
Other Liabilities	1,253,740	941,908
Total Liabilities	<u>41,227,308</u>	<u>36,073,658</u>
Deferred Inflow Related to TRS	521,864	1,269,918
Total Deferred Inflows of Resources	<u>521,864</u>	<u>1,269,918</u>
Investments in Capital Assets, Net of Debt	8,085,881	5,422,382
Restricted	1,016,096	5,643,082
Unrestricted	<u>(3,765,106)</u>	<u>(3,236,632)</u>
Total Net Position	<u><u>5,336,871</u></u>	<u><u>7,828,832</u></u>

Table II
Fabens Independent School District

CHANGES IN NET POSITION

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues:		
Charges for Services	638,426	781,252
Operating Grants and Contributions	7,237,747	6,644,925
General Revenues:		
Maintenance and Operations Taxes	1,673,696	1,703,354
Debt Service Taxes	467,185	363,438
State Aid - Formula Grants	18,127,468	17,391,922
Investment Earnings	23,470	3,687
Miscellaneous	56,802	55,906
Total Revenue	<u>28,224,794</u>	<u>26,944,484</u>
Expenses:		
Instruction, Curriculum, & Media Services	17,370,287	16,012,610
Instructional and School Leadership	2,080,366	2,101,878
Student Support Services	1,890,562	1,675,738
Child Nutrition	1,350,570	1,229,110
Co-curricular Activities	1,051,867	995,040
General Administration	1,235,258	1,184,434
Plant, Maintenance, Security, & Data Processing	3,224,376	3,117,159
Community Services	91,716	113,550
Debt Services	1,891,979	1,284,675
Other Intergovernmental Charges	30,623	28,657
Total Expenses	<u>30,217,604</u>	<u>27,742,851</u>
Increase in Net Position before Transfers and Special Items	(1,992,810)	(798,367)
Prior Period Adjustments	(499,151)	(4,913,874)
Special Items	0	0
Net Position - September 1	<u>7,828,832</u>	<u>13,541,073</u>
Net Position - August 31	<u><u>5,336,871</u></u>	<u><u>7,828,832</u></u>

The District's governmental fund type revenues increased by 2.90% (from \$26.75 million to \$27.72 million) (Exhibit C-3).

The cost of all governmental activities this year was \$30,22 million compared to \$27.74 million last year. However, as shown in the Statement of Activities on page 11, some of the costs were paid by those who directly benefited from the programs (\$638,426) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,237,747) or by State equalization funding (\$18,127,468).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on pages 12 and 13) reported a combined fund balance of \$6,320,860, which is below last year's total of \$7,031,809.

The Board of Trustees revised the District's budget at the end of the year. The budget amendment involved moving funds to and from functions based on resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had \$64,901,418 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents an increase of \$2,433,232 compared to last year.

**Table III
District's Capital Assets**

	Governmental Activities		
	2016	2015	% Change
Land & Improvements	636,697	636,697	0.00%
Buildings & Improvements	57,871,642	57,676,728	0.34%
Furniture & Equipment	4,256,135	4,154,761	2.44%
Construction in Progress	2,136,944	0	N/A
Total - Historical Cost	<u>64,901,418</u>	<u>62,468,186</u>	3.90%

Debt

At year-end, the District had \$32,962,937 in bonds and contractual obligations versus \$30,980,373 last year. Other obligations include accrued sick leave and a capital lease. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the 2016-2017 fiscal year budget and tax rates. Among the factors considered are the economy, the District's population trends, unemployment, property values, decisions before the Texas Legislature concerning state funding, and available grants from various foundations.

These indicators were taken into account when adopting the General Fund 2016-2017 budget. Amounts available for appropriation in the General Fund budget are \$21,125,148, an increase of 3.64% over the original 2015-2016 budget of \$20,382,552. The District will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to increase 4.60% over the original 2015-2016 budget. The District has added no major new programs or initiatives to the 2016-2017 budget.

If these estimates are realized, the District's budgetary General Fund fund balance is expected to remain unchanged by the close of the 2016-2017 fiscal year.

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, Post Office Box 697, Fabens, Texas, 79838.

BASIC FINANCIAL STATEMENTS

FABENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 6,402,007
1220 Property Taxes Receivable (Delinquent)	375,148
1230 Allowance for Uncollectible Taxes	(15,006)
1240 Due from Other Governments	949,987
1267 Due from Fiduciary Funds	12,897
1290 Other Receivables, net	175,312
1300 Inventories	34,397
Capital Assets:	
1510 Land	569,307
1520 Buildings, Net	33,430,485
1530 Furniture and Equipment, Net	379,614
1550 Leased Property Under Capital Leases, Net	10,557
1580 Construction in Progress	2,136,944
1000 Total Assets	44,461,649
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	2,624,394
1700 Total Deferred Outflows of Resources	2,624,394
LIABILITIES	
2110 Accounts Payable	75,864
2160 Accrued Wages Payable	685,429
2180 Due to Other Governments	140,221
2200 Accrued Expenses	235,361
2300 Unearned Revenue	116,865
Noncurrent Liabilities	
2501 Due Within One Year	943,203
2502 Due in More Than One Year	32,019,734
2540 Net Pension Liability (District's Share)	7,010,631
2000 Total Liabilities	41,227,308
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	521,864
2600 Total Deferred Inflows of Resources	521,864
NET POSITION	
3200 Net Investment in Capital Assets	8,085,881
3820 Restricted for Federal and State Programs	417,186
3850 Restricted for Debt Service	211,627
3860 Restricted for Capital Projects	377,519
3870 Restricted for Campus Activities	9,764
3900 Unrestricted	(3,765,106)
3000 Total Net Position	\$ 5,336,871

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, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position <u>Primary Gov. Governmental Activities</u>
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 16,800,387	\$ 564,568	\$ 3,342,570	\$ (12,893,249)
12 Instructional Resources and Media Services	295,437	-	17,327	(278,110)
13 Curriculum and Staff Development	274,463	-	165,258	(109,205)
21 Instructional Leadership	529,861	-	305,961	(223,900)
23 School Leadership	1,550,505	-	119,649	(1,430,856)
31 Guidance, Counseling and Evaluation Services	1,083,409	-	272,561	(810,848)
32 Social Work Services	37,056	-	1,719	(35,337)
33 Health Services	334,136	-	30,730	(303,406)
34 Student (Pupil) Transportation	435,961	-	29,347	(406,614)
35 Food Services	1,350,570	35,980	1,440,909	126,319
36 Extracurricular Activities	1,051,867	37,876	45,454	(968,537)
41 General Administration	1,235,258	-	122,523	(1,112,735)
51 Facilities Maintenance and Operations	2,671,695	2	85,893	(2,585,800)
52 Security and Monitoring Services	306,463	-	16,589	(289,874)
53 Data Processing Services	246,218	-	14,502	(231,716)
61 Community Services	91,716	-	68,296	(23,420)
72 Debt Service - Interest on Long Term Debt	1,639,695	-	1,158,460	(481,235)
73 Debt Service - Bond Issuance Cost and Fees	252,284	-	-	(252,284)
99 Other Intergovernmental Charges	30,623	-	-	(30,623)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 30,217,604</u>	<u>\$ 638,426</u>	<u>\$ 7,237,747</u>	<u>(22,341,431)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			1,673,696
DT	Property Taxes, Levied for Debt Service			467,185
SF	State Aid - Formula Grants			18,127,468
IE	Investment Earnings			23,470
MI	Miscellaneous Local and Intermediate Revenue			56,802
TR	Total General Revenues			<u>20,348,621</u>
CN	Change in Net Position			(1,992,810)
NB	Net Position - Beginning			7,828,832
PA	Prior Period Adjustment			(499,151)
NE	Net Position--Ending			<u>\$ 5,336,871</u>

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

FABENS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	ESEA I, A Improving Basic Program	50 Debt Service Fund
ASSETS			
1110 Cash and Cash Equivalents	\$ 918,025	\$ 48,103	\$ 716,539
1220 Property Taxes - Delinquent	315,646	-	59,502
1230 Allowance for Uncollectible Taxes (Credit)	(12,626)	-	(2,380)
1240 Receivables from Other Governments	484,274	210,399	-
1260 Due from Other Funds	805,000	-	-
1290 Other Receivables	175,312	-	-
1300 Inventories	34,397	-	-
1000 Total Assets	<u>\$ 2,720,028</u>	<u>\$ 258,502</u>	<u>\$ 773,661</u>
LIABILITIES			
2110 Accounts Payable	\$ 60,396	\$ -	\$ -
2160 Accrued Wages Payable	597,772	48,103	-
2170 Due to Other Funds	-	210,399	316,367
2180 Due to Other Governments	-	-	140,221
2200 Accrued Expenditures	235,361	-	-
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>893,529</u>	<u>258,502</u>	<u>456,588</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	303,020	-	57,122
2600 Total Deferred Inflows of Resources	<u>303,020</u>	<u>-</u>	<u>57,122</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	34,397	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	368,250	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
3480 Retirement of Long-Term Debt	-	-	259,951
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	-	-
3600 Unassigned Fund Balance	1,120,832	-	-
3000 Total Fund Balances	<u>1,523,479</u>	<u>-</u>	<u>259,951</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,720,028</u>	<u>\$ 258,502</u>	<u>\$ 773,661</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 4,528,595	\$ 190,745	\$ 6,402,007
-	-	375,148
-	-	(15,006)
-	255,314	949,987
-	-	805,000
-	-	175,312
-	-	34,397
<u>\$ 4,528,595</u>	<u>\$ 446,059</u>	<u>\$ 8,726,845</u>
\$ 15,468	\$ -	\$ 75,864
-	39,554	685,429
-	265,337	792,103
-	-	140,221
-	-	235,361
-	116,865	116,865
<u>15,468</u>	<u>421,756</u>	<u>2,045,843</u>
-	-	360,142
-	-	360,142
-	-	34,397
-	14,539	382,789
4,513,127	-	4,513,127
-	-	259,951
-	9,764	9,764
-	-	1,120,832
<u>4,513,127</u>	<u>24,303</u>	<u>6,320,860</u>
<u>\$ 4,528,595</u>	<u>\$ 446,059</u>	<u>\$ 8,726,845</u>

FABENS INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2016

Total Fund Balances - Governmental Funds	\$	6,320,860
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$62,468,186 and the accumulated depreciation was \$27,069,542. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		417,412
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to decrease net position.		1,106,520
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of 7,010,631, a Deferred Resource Inflow related to TRS in the amount of \$521,864 and a Deferred Resource Outflow related to TRS in the amount of \$2,624,394. This amounted to a decrease in Net Position in the amount of \$408,092.		(408,092)
4 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,304,969)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		360,142
19 Net Position of Governmental Activities	\$	6,491,873

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, 2016

Data Control Codes	10 General Fund	ESEA I, A Improving Basic Program	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 2,068,702	\$ -	\$ 481,097
5800 State Program Revenues	19,069,052	-	1,158,460
5900 Federal Program Revenues	1,556,803	1,434,144	-
5020 Total Revenues	<u>22,694,557</u>	<u>1,434,144</u>	<u>1,639,557</u>
EXPENDITURES:			
Current:			
0011 Instruction	12,505,149	1,270,157	-
0012 Instructional Resources and Media Services	271,273	-	-
0013 Curriculum and Instructional Staff Development	88,577	137,579	-
0021 Instructional Leadership	190,177	26,408	-
0023 School Leadership	1,355,032	-	-
0031 Guidance, Counseling and Evaluation Services	771,197	-	-
0032 Social Work Services	33,652	-	-
0033 Health Services	298,493	-	-
0034 Student (Pupil) Transportation	400,377	-	-
0035 Food Services	1,273,529	-	-
0036 Extracurricular Activities	990,275	-	-
0041 General Administration	1,134,178	-	-
0051 Facilities Maintenance and Operations	2,614,609	-	-
0052 Security and Monitoring Services	291,501	-	-
0053 Data Processing Services	254,606	-	-
0061 Community Services	15,989	-	-
Debt Service:			
0071 Principal on Long Term Debt	42,833	-	736,000
0072 Interest on Long Term Debt	1,708	-	1,164,794
0073 Bond Issuance Cost and Fees	-	-	252,284
Capital Outlay:			
0081 Facilities Acquisition and Construction	57,000	-	-
Intergovernmental:			
0099 Other Intergovernmental Charges	30,623	-	-
6030 Total Expenditures	<u>22,620,778</u>	<u>1,434,144</u>	<u>2,153,078</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>73,779</u>	<u>-</u>	<u>(513,521)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	12,095,000
7915 Transfers In	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	1,294,294
8911 Transfers Out (Use)	(765)	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	-	(13,130,653)
7080 Total Other Financing Sources (Uses)	<u>(765)</u>	<u>-</u>	<u>258,641</u>
1200 Net Change in Fund Balances	73,014	-	(254,880)
0100 Fund Balance - September 1 (Beginning)	<u>1,450,465</u>	<u>-</u>	<u>514,831</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,523,479</u>	<u>\$ -</u>	<u>\$ 259,951</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 13,124	\$ 316,125	\$ 2,879,048
-	348,847	20,576,359
-	1,269,830	4,260,777
13,124	1,934,802	27,716,184
223,153	1,339,194	15,337,653
-	-	271,273
-	24,772	250,928
-	266,315	482,900
-	43,329	1,398,361
-	213,537	984,734
-	-	33,652
-	2,114	300,607
-	-	400,377
-	18,095	1,291,624
-	-	990,275
-	-	1,134,178
-	-	2,614,609
-	-	291,501
-	-	254,606
-	68,296	84,285
-	-	778,833
-	-	1,166,502
-	-	252,284
2,278,969	-	2,335,969
-	-	30,623
2,502,122	1,975,652	30,685,774
(2,488,998)	(40,850)	(2,969,590)
1,795,000	-	13,890,000
765	-	765
205,000	-	1,499,294
-	-	(765)
-	-	(13,130,653)
2,000,765	-	2,258,641
(488,233)	(40,850)	(710,949)
5,001,360	65,153	7,031,809
\$ 4,513,127	\$ 24,303	\$ 6,320,860

FABENS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	(710,949)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to decrease net position.		1,106,520
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,304,969)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(19,469)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$590,529. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were \$1,259,781 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$261,160. This caused a net decrease in the change in net position of \$998,621. The impact of all of these is to increase the change in net position by \$408,092.		(408,092)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>(1,336,959)</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
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,044,075	\$ 2,219,387	\$ 2,068,702	\$ (150,685)
5800	State Program Revenues	18,265,087	18,524,350	19,069,052	544,702
5900	Federal Program Revenues	1,348,772	1,369,898	1,556,803	186,905
5020	Total Revenues	21,657,934	22,113,635	22,694,557	580,922
EXPENDITURES:					
Current:					
0011	Instruction	11,760,926	12,536,763	12,505,149	31,614
0012	Instructional Resources and Media Services	275,509	274,199	271,273	2,926
0013	Curriculum and Instructional Staff Development	95,745	94,200	88,577	5,623
0021	Instructional Leadership	190,656	190,656	190,177	479
0023	School Leadership	1,358,130	1,353,454	1,355,032	(1,578)
0031	Guidance, Counseling and Evaluation Services	699,065	773,413	771,197	2,216
0032	Social Work Services	40,445	36,328	33,652	2,676
0033	Health Services	392,925	302,858	298,493	4,365
0034	Student (Pupil) Transportation	434,022	418,684	400,377	18,307
0035	Food Services	1,213,084	1,213,084	1,273,529	(60,445)
0036	Extracurricular Activities	788,582	993,354	990,275	3,079
0041	General Administration	1,049,247	1,136,353	1,134,178	2,175
0051	Facilities Maintenance and Operations	2,420,548	2,770,548	2,614,609	155,939
0052	Security and Monitoring Services	290,992	290,992	291,501	(509)
0053	Data Processing Services	255,069	255,069	254,606	463
0061	Community Services	42,981	21,989	15,989	6,000
Debt Service:					
0071	Principal on Long Term Debt	45,000	45,000	42,833	2,167
0072	Interest on Long Term Debt	-	-	1,708	(1,708)
Capital Outlay:					
0081	Facilities Acquisition and Construction	57,000	57,000	57,000	-
Intergovernmental:					
0099	Other Intergovernmental Charges	29,500	30,623	30,623	-
6030	Total Expenditures	21,439,426	22,794,567	22,620,778	173,789
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	218,508	(680,932)	73,779	754,711
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(765)	(765)
1200	Net Change in Fund Balances	218,508	(680,932)	73,014	753,946
0100	Fund Balance - September 1 (Beginning)	1,450,465	1,450,465	1,450,465	-
3000	Fund Balance - August 31 (Ending)	\$ 1,668,973	\$ 769,533	\$ 1,523,479	\$ 753,946

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

FABENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 9,784	\$ 55,109
Long Term Investments	9,404	-
Total Assets	<u>19,188</u>	<u>\$ 55,109</u>
LIABILITIES		
Due to Other Funds	-	\$ 12,897
Due to Student Groups	-	42,212
Total Liabilities	<u>-</u>	<u>\$ 55,109</u>
NET POSITION		
Restricted for Scholarships	<u>19,188</u>	
Total Net Position	<u>\$ 19,188</u>	

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

FABENS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 101
Total Additions	<u>101</u>
DEDUCTIONS:	
Supplies and Materials	10
Other Operating Costs	2,105
Total Deductions	<u>2,115</u>
Change in Net Position	(2,014)
Total Net Position - September 1 (Beginning)	<u>21,202</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 19,188</u></u>

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

**FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fabens Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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 or deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. REPORTING ENTITY

The Board of Trustees is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. There are no component units included within the reporting entity.

B. DESCRIPTION OF GOVERNMENT-WIDE 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 primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental Activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The District has no business-type activities.

C. BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered resources available for current operations. However, fund balances may be reserved or appropriated by the Board to implement its responsibilities.

Special Revenue Funds - The District accounts for resources restricted to, or designated for, specific purposes by a grantor in a special revenue fund. Most Federal and some State financial assistance are accounted for in a special revenue fund, and sometimes, unused balances must be returned to the grantor at the close of specified project periods.

Debit Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Capital Projects Fund - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in the capital projects fund.

Additionally, the District reports the following fund types:

Fiduciary Funds:

Private Purpose Trust Funds - These funds are used to account for donations that have stipulations that the principal may not be expended, and that only the income may be used for a specific purpose. The District's private purpose trust fund is the Cook Memorial Fund.

Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency funds consist of the student group activity funds.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and transfers to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

G. OTHER ACCOUNTING POLICIES

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value.

The funds of the District must be deposited and invested under the terms of a depository contract, the contents of which are set out in the **Depository Contract Law**. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond in the amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC Insurance.

2. Inventories and Prepaid Items

The District reports inventories of supplies on the balance sheet at cost or average cost, and they include (if applicable) consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

3. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

4. Fund Equity

The District follows GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by a governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose, positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is delegated by the Trustees to the superintendent or his designee.

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned and unassigned amounts, respectively.

5. Compensated Absences

Upon retirement or death of certain employees, the District pays any accrued personal leave and vacation leave in a lump sum cash payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments. Employees earn five days of local leave and five days of state leave on an annual basis.

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

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

6. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, 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 more than \$5,000 and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings	50
Building Improvements	15 to 25
Buses	10
Vans	7
Other Vehicles	5 to 15
Office Equipment	5
Computer Equipment	5
Other Equipment	5 to 15

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District reports a deferred outflow related to its pension with TRS and a deferred outflow for a deferred charge for refunding bonds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Also, the District reports a deferred inflow related to its pension with TRS.

8. Indirect Costs

The District receives substantial amounts of funding from Federal and State sources. The majority of these funds are cost reimbursement to the District by a Federal or State agency. The portion of revenue allowable for indirect cost is recognized as revenue to the General Fund and as a reduction of revenue in the Special Revenue Fund, as appropriate.

9. Data Control Codes

Data control codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

10. Net Position Flow Assumption

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

11. Fund Balance Flow Assumptions

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, the Food Service Fund, and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The General Fund budget report appears in Exhibit C-5, the Food Service Fund budget report appears in Exhibit J-2, and the Debt Service Fund budget report appears in Exhibit J-3.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the fund and function level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The District made two amendments during the year. No expenditures were made prior to approval of the budget.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,466,900, and the bank balance was \$7,004,463. The District's cash deposits at August 31, 2016, and during the year ended August 31, 2016, were not entirely covered by FDIC insurance, letter of credit, or pledged collateral; however, sufficient letter of credit was pledged by the bank on the very next business day.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

<u>Bank</u>	<u>Highest Deposit</u>	<u>FMV Securities Pledged</u>	<u>FDIC Insurance</u>	<u>Month</u>
WestStar Bank	\$ 11,269	\$ 0	\$ 11,269	September 2015
BBVA Compass	\$ 1,913,778	\$ 1,750,000	\$ 250,000	December 2015

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent bank. The District, on its day of highest cash balance, had no custodial credit risk.

Foreign Currency Risk – The District has no investments or deposits of a foreign currency.

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The District's temporary investments consist of balances held by the Lone Star Investment Pool ("LSIP").

LSIP is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. First Public, LLC provides administrative and distribution services to the fund with Mellon Bank as the custodian. The fund's credit quality is excellent as its portfolio is composed of U.S. government and U.S. agency securities. Investments in LSIP provide for investment in securities with maturities and returns generally greater than money market instruments. LSIP is marked-to-market daily to maintain an accurate net asset value. The District's fair value in LSIP is the same value of the pool shares. LSIP is currently rated AAA by Standard & Poor's. This rating indicates that the pool's portfolio holdings provide extremely strong protection against losses from credit default.

The District's only long-term investment is within one of the scholarship funds. This investment is an U.S. Treasury Bond purchased on August 15, 1987, with a maturity date of August 15, 2017. The interest rate on this bond is 8.875%. The bond has a book value of \$8,000, but, as presented in the Financial Statements on Exhibit E-1, the fair market value is \$8,622.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. Property taxes are collected for the District by the City of El Paso Tax Department. The Tax Department collects and remits to the District all taxes and any applicable penalties and interest on delinquent taxes.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTER-FUND BALANCES AND TRANSFERS

Inter-fund balances at August 31, 2016 consisted of the following individual fund balances:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund:			
Special Revenue Fund	\$ 475,736	\$ 0	Short-Term Loan
Debt Service Fund	316,367	0	Short-Term Loan
Trust & Agency Fund	<u>12,897</u>	<u>0</u>	Short-Term Loan
Total General Fund	\$ 805,000	\$ 0	
Special Revenue Funds:			
General Fund	<u>\$ 0</u>	<u>\$ 475,736</u>	Short-Term Loan
Total Special Revenue Funds	\$ 0	\$ 475,736	
Debt Service Fund:			
General Fund	<u>\$ 0</u>	<u>\$ 316,367</u>	Short-Term Loan
Total Debt Service Fund	\$ 0	\$ 316,367	
Trust & Agency Fund:			
General Fund	<u>\$ 0</u>	<u>\$ 12,897</u>	Short-Term Loan
Total Trust & Agency Fund	<u>\$ 0</u>	<u>\$ 12,897</u>	
GRAND TOTAL	<u><u>\$ 805,000</u></u>	<u><u>\$ 805,000</u></u>	

Inter-fund transfers consisted of the following:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	<u>\$ 765</u>	Operations
Total Transfers		<u><u>\$ 765</u></u>	

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2016, was as follows:

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Land & Improvements	\$ 636,697	\$ 0	\$ 0	\$ 636,697
Buildings & Improvements	57,676,727	194,915	0	57,871,642
Furniture & Equipment	4,026,321	101,374	0	4,127,695
Capital Leases	128,440	0	0	128,440
Construction in Progress	0	2,136,944	0	2,136,944
Totals - Historical Cost	\$ 62,468,185	\$ 2,433,233	\$ 0	\$ 64,901,418
Less Accumulated Depreciation:				
Land & Improvements	\$ (61,551)	\$ (5,839)	\$ 0	\$ (67,390)
Buildings & Improvements	(23,354,336)	(1,086,821)	0	(24,441,157)
Furniture & Equipment	(3,578,585)	(169,496)	0	(3,748,081)
Capital Leases	(75,070)	(42,813)	0	(117,883)
Total Accumulated Depreciation	\$ (27,069,542)	\$ (1,304,969)	\$ 0	\$ (28,374,511)
Capital Assets, Net	\$ 35,398,643	\$ 1,128,264	\$ 0	\$ 36,526,907

Depreciation Expense was charged to governmental functions as follows:

Instruction	\$ 842,265
Instructional Resources & Media Services	13,968
Curriculum & Instructional Staff Development	13,918
Instructional Leadership	26,375
School Leadership	86,522
Guidance, Counseling, & Evaluation Services	55,473
Social Work Services	2,098
Health Services	18,303
Student (Pupil) Transportation	21,318
Food Services	35,078
Cocurricular/Extracurricular Activities	33,752
General Administration	57,274
Plant Maintenance and Operations	69,517
Security and Monitoring Services	14,901
Data Processing Services	10,138
Community Services	4,069
Total Depreciation	\$ 1,304,969

F. CHANGES IN LONG-TERM LIABILITIES

Long-Term Liability activity for the year ended August 31, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 29,075,000	\$ 13,890,000	\$ 13,166,000	\$ 29,799,000	\$ 770,000
Interest Payable - Bonds	196,545	48,324	196,545	48,324	48,324
Capital Lease	42,833	0	42,833	0	0
Compensated Absences	308,416	29,563	0	337,979	0
Unamortized Premium/ Discount on Bonds	1,357,579	1,499,294	79,239	2,777,634	124,879
Total	<u>\$ 30,980,373</u>	<u>\$ 15,467,181</u>	<u>\$ 13,484,617</u>	<u>\$ 32,962,937</u>	<u>\$ 943,203</u>

G. GENERAL LONG-TERM DEBT

On January 19, 2016, the District issued \$5,155,000 in "Unlimited Tax Refunding Bonds, Series 2016" with interest rates ranging from 2.00% to 4.00%. The District received a net premium of \$547,684 on the issuance of the Series 2016 Bonds. The total proceeds, less the issuance costs and underwriter's discount of \$67,083 and \$35,393, respectively, were used to refund \$5,485,000 of the Fabens Independent School District Unlimited Tax Refunding Bonds, Series 2007. Principal and interest payments are due each February 15 and August 15, beginning August 15, 2016 and ending February 15, 2028. The total interest requirements of these bonds aggregate \$1,277,448 with \$1,183,975 remaining as of August 31, 2016. The bond proceeds were used to advance refund the Series 2007 Bonds, and the refunded amounts were placed in escrow with an escrow agent for the purpose of paying all future debt service payments of the Bonds when due. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$740,009 and resulted in a present value savings, or economic gain of \$649,486. The debt is subject to federal arbitrage regulations and is serviced by the Debt Service Fund.

On June 21, 2016, the District issued \$8,735,000 in "Unlimited Tax School Building and Refunding Bonds, Series 2016A" with interest rates ranging from 2.00 to 4.00%. The District received a net premium of \$951,610 on the issuance of the Series 2016A Bonds. The total proceeds, less the issuance costs and underwriter's discount of \$90,701 and \$60,178, respectively, were used to fund capital projects of \$2,000,000 and to partially refund \$6,945,000 of the Fabens Independent School District Unlimited Tax School Building Bonds, Series 2008. Principal and interest payments are due each February 15 and August 15, beginning August 15, 2016 and ending February 15, 2043. The total interest requirements of these bonds aggregate \$5,426,860 with \$5,379,700 remaining as of August 31, 2016. The bond proceeds were used to partially advance refund the Series 2008 Bonds, and the refunded amounts were placed in escrow with an escrow agent for the purpose of paying all future debt service payments of the refunded bonds when due. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Position. This advance refunding was undertaken to reduce total debt service payments over the next 27 years by \$2,087,560 and resulted in a present value savings, or economic gain of \$1,446,400. The debt is subject to federal arbitrage regulations and is serviced by the Debt Service Fund.

Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in general long-term debt for the year ended August 31, 2016, is as follows:

Description	Interest Rate	Original Issue	Current Interest	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Series 2006								
Unlimited Tax								
School Building Bonds	4.0% to 5.0%	\$ 10,000,000	\$ 10,800	\$ 270,000	\$ 0	\$ 0	\$ 270,000	\$ 0
Series 2007								
Unlimited Tax								
Refunding Bonds	4.0% to 6.0%	8,030,000	125,731	5,835,000	0	5,835,000	0	0
Series 2008								
Unlimited Tax								
School Building Bonds	3.5% to 5.0%	10,000,000	246,438	8,960,000	0	7,115,000	1,845,000	175,000
Series 2014								
Unlimited Tax								
Refunding Bonds	2.0% to 4.0%	7,805,000	296,700	7,650,000	0	0	7,650,000	0
Series 2015								
Unlimited Tax								
Refunding Bonds	3.30%	1,400,000	44,616	1,400,000	0	96,000	1,304,000	145,000
Series 2015								
Unlimited Tax								
School Building Bonds	3.0% to 4.5%	4,960,000	265,539	4,960,000	0	0	4,960,000	0
Series 2016								
Unlimited Tax								
Refunding Bonds	2.0% to 4.0%	5,155,000	93,473	0	5,155,000	0	5,155,000	375,000
Series 2016A								
Unlimited Tax								
School Building Bonds and Refunding Bonds	2.0% to 4.0%	8,735,000	47,160	0	8,735,000	120,000	8,615,000	75,000
		Total	\$ 1,130,457	\$ 29,075,000	\$ 13,890,000	\$ 13,166,000	\$ 29,799,000	\$ 770,000

Debt Service requirements are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2017	\$ 770,000	\$ 1,092,248	\$ 1,862,248
2018	1,161,000	1,064,770	2,225,770
2019	1,215,000	1,030,342	2,245,342
2020	1,245,000	995,319	2,240,319
2021	1,285,000	956,831	2,241,831
2022-2026	6,798,000	4,066,980	10,864,980
2027-2031	5,925,000	2,788,475	8,713,475
2032-2036	5,990,000	1,661,375	7,651,375
2037-2041	3,315,000	717,088	4,032,088
2042-2045	2,095,000	132,374	2,227,374
	<u>\$ 29,799,000</u>	<u>\$ 14,505,802</u>	<u>\$ 44,304,802</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2016.

H. OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Leases - In June 2009, the District entered into a lease with the Board of Regents of the University of Texas System for the use of the land for the Fabens Elementary School. The District prepaid \$5,000 for a ten year term. After the ten year term expires, the District has the option to renew and extend the term of the lease for four periods of ten years each, provided the lease is in full force and effect and the District has not defaulted on the lease. The District must use and occupy the premises for the purpose of Public Education at all times.

Federal and State Funding - The District participates in numerous State and Federal grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2016 may be impaired.

I. DEFINED BENEFIT PENSION PLAN

Plan Description. The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2015 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016.

Contribution Rates

	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer #0602 - 2016 Employer Contributions	\$ 590,529	
Employer #0602 - 2016 Member Contributions	\$ 1,215,389	
Employer #0602 - 2015 NECE On-Behalf Contributions	\$ 769,410	

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2015

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	Discount Rate		
	7.0%	8.0%	9.0%
Proportionate share of the Net Pension Liability	\$ 10,984,337	\$ 7,010,631	\$ 3,700,780

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

At August 31, 2015, the District reported a liability of \$7,010,631 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 7,010,631
State's proportionate share that is associated with the District	<u>9,182,430</u>
Total	<u>\$ 16,193,061</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period of September 1, 2014 thru August 31, 2015.

At August 31, 2015, the District's proportion of the collective net pension liability was 0.0198328%, which was an increase of 0.0042912% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation - The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

- The inflation assumption was decreased from 3.00% to 2.50%.
- The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

- The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2015, the District recognized pension expense of \$1,308,349 and revenue of \$1,308,349 for support provided by the State.

At August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 53,395	\$ 269,425
Changes in actuarial assumptions	224,420	250,109
Difference between projected and actual investment earnings	774,939	0
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	981,111	2,330
Contributions paid to TRS subsequent to the measurement date (as calculated by the District)	<u>590,529</u>	<u>0</u>
Total	<u>\$ 2,624,394</u>	<u>\$ 521,864</u>

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

<u>Year ended August 31:</u>	<u>Pension Expense</u>
2017	\$ 248,434
2018	248,434
2019	248,434
2020	565,642
2021	130,673
Thereafter	70,384

J. RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2015, and 2016. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

Contributions made by the State, District, and Members for the years ended August 31, 2016, 2015, and 2014 are as follows:

<u>Year</u>	<u>State On-Behalf</u>	<u>District Contributions</u>	<u>Member Contributions</u>
2016	\$ 168,804	\$ 92,844	\$ 109,723
2015	169,233	93,078	110,001
2014	122,800	94,069	111,170

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective, January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 2014, 2015, and 2016, the subsidy payments received by TRS-Care on behalf of the District were \$45,836, \$68,292, and \$65,103 respectively.

K. HEALTH CARE COVERAGE

During the year ended August 31, 2016, employees of the District participated in the state program styled TRS Active Care. The District paid premiums of \$225 per month for each employee to the plan. In addition, employees, at their option, may authorize payroll withholdings to pay premiums for dependents. The Plan was authorized by Section 21.922 of the Texas Education Code and was documented by contractual agreement. There were no other liabilities associated with the Plan.

L. DEFERRED REVENUE

At August 31, 2016, the District has deferred revenue of \$116,865 in its State Textbook Fund. During the year, the Texas Education Agency made duplicate payments to the District resulting in this overage. Per TEA's instructions, the District is allowed to retain this overage to spend during the 2016-2017 school year.

M. INVENTORIES

Inventories at August 31, 2016, consisted of the following:

Food Service	\$	34,397
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N. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the Per Capita Program. Amounts due from federal and state governments as of August 31, 2016 are summarized below:

Fund	State		Federal	Total
	Entitlements	Grants	Grants	
Child Nutrition	\$ 0	\$ 0	\$ 54,679	\$ 54,679
General Fund	429,595	0	0	429,595
Title I, Part A	0	0	210,399	210,399
Title I, Part C	0	0	76,247	76,247
IDEA Part B, Formula	0	0	60,326	60,326
IDEA Part B, Preschool	0	0	256	256
Perkins Grant	0	0	33,788	33,788
Title II, Part A	0	0	37,501	37,501
Title III, Part A	0	0	46,985	46,985
Literacy Achievement Academy	0	211	0	211
Total	\$ 429,595	\$ 211	\$ 520,181	\$ 949,987

O. REVENUE FROM LOCAL SOURCES

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

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Trust Funds	Total
Property Taxes	\$ 1,695,890	\$ 0	\$ 467,600	\$ 0	\$ 0	\$ 2,163,490
Penalties, Interest, and Other						
Tax-related Income	43,900	0	9,761	0	0	53,661
Services to Other Districts	0	296,000	0	0	0	296,000
Investment Income	6,611	0	3,736	13,124	101	23,572
Rent	2	0	0	0	0	2
Food Sales	35,980	0	0	0	0	35,980
Co-Curricular Student Activities	17,751	20,125	0	0	0	37,876
Subtotal	1,800,134	316,125	481,097	13,124	101	2,610,581
Other	268,568	0	0	0	0	268,568
Total	\$ 2,068,702	\$ 316,125	\$ 481,097	\$ 13,124	\$ 101	\$ 2,879,149

P. LITIGATION

During the normal course of business, the District is subject to various legal claims. As of August 31, 2016, management is not aware of any such claim that would have a material adverse effect on the financial statements.

Q. SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 18, 2017, the date on which the financial statements were available to be issued.

R. RELATED PARTY TRANSACTIONS

From time to time, the District may enter into transactions with related parties through the normal course of business. If a Trustee has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred during the 2015-2016 fiscal year.

S. EXPENDITURES IN EXCESS OF BUDGET

The District expended more than budgeted in various functions of expenditures as shown on Exhibits C-5, J-2, and J-3.

T. PRIOR PERIOD ADJUSTMENTS

The District incurred a prior period adjustment to its Statement of Activities due to an erroneous Deferred Charge on Refunding being reported in the amount of \$499,151.

REQUIRED SUPPLEMENTARY INFORMATION

FABENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0198328%	0.0155416%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 7,010,631	\$ 4,151,377
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	9,182,430	8,203,939
Total	<u>\$ 16,193,061</u>	<u>\$ 12,355,316</u>
District's Covered-Employee Payroll	\$ 16,880,401	\$ 17,103,249
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	41.53%	24.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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

FABENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT G-2

	2016	2015
Contractually Required Contribution	\$ 590,529	\$ 587,240
Contribution in Relation to the Contractually Required Contribution	590,529	587,240
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 16,880,401	\$ 16,923,535
Contributions as a Percentage of Covered-Employee Payroll	3.50%	3.47%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

**FABENS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2016**

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

Refer to Note I - Defined Benefit Pension Plan - **Changes Since the Prior Actuarial Valuation** on page 38.

COMBINING STATEMENTS

FABENS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS			
1110 Cash and Cash Equivalents	\$ 7,918	\$ 8,476	\$ -
1240 Receivables from Other Governments	76,247	60,326	256
1000 Total Assets	<u>\$ 84,165</u>	<u>\$ 68,802</u>	<u>\$ 256</u>
LIABILITIES			
2160 Accrued Wages Payable	\$ 7,918	\$ 8,476	\$ -
2170 Due to Other Funds	76,247	60,326	256
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>84,165</u>	<u>68,802</u>	<u>256</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 84,165</u>	<u>\$ 68,802</u>	<u>\$ 256</u>

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer LEP	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ 14,539	\$ -	\$ 7,449	\$ -	\$ -	\$ 116,865	\$ 845	\$ 19,998
-	33,788	37,501	46,985	-	-	211	-
<u>\$ 14,539</u>	<u>\$ 33,788</u>	<u>\$ 44,950</u>	<u>\$ 46,985</u>	<u>\$ -</u>	<u>\$ 116,865</u>	<u>\$ 1,056</u>	<u>\$ 19,998</u>
\$ -	\$ -	\$ 7,449	\$ -	\$ -	\$ -	\$ 1,056	\$ -
-	33,788	37,501	46,985	-	-	-	10,234
-	-	-	-	-	116,865	-	-
<u>-</u>	<u>33,788</u>	<u>44,950</u>	<u>46,985</u>	<u>-</u>	<u>116,865</u>	<u>1,056</u>	<u>10,234</u>
14,539	-	-	-	-	-	-	-
-	-	-	-	-	-	-	9,764
<u>14,539</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,764</u>
<u>\$ 14,539</u>	<u>\$ 33,788</u>	<u>\$ 44,950</u>	<u>\$ 46,985</u>	<u>\$ -</u>	<u>\$ 116,865</u>	<u>\$ 1,056</u>	<u>\$ 19,998</u>

FABENS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	499 Cotton Valley Early College High School	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 14,655	\$ 190,745
1240 Receivables from Other Governments	-	255,314
1000 Total Assets	<u>\$ 14,655</u>	<u>\$ 446,059</u>
LIABILITIES		
2160 Accrued Wages Payable	\$ 14,655	\$ 39,554
2170 Due to Other Funds	-	265,337
2300 Unearned Revenues	-	116,865
2000 Total Liabilities	<u>14,655</u>	<u>421,756</u>
FUND BALANCES		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	14,539
Assigned Fund Balance:		
3590 Other Assigned Fund Balance	-	9,764
3000 Total Fund Balances	<u>-</u>	<u>24,303</u>
4000 Total Liabilities and Fund Balances	<u>\$ 14,655</u>	<u>\$ 446,059</u>

FABENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	436,113	470,335	8,399
5020 Total Revenues	<u>436,113</u>	<u>470,335</u>	<u>8,399</u>
EXPENDITURES:			
Current:			
0011 Instruction	106,476	225,282	8,399
0013 Curriculum and Instructional Staff Development	-	24,772	-
0021 Instructional Leadership	264,840	1,131	-
0023 School Leadership	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	213,537	-
0033 Health Services	-	2,114	-
0035 Food Services	-	-	-
0061 Community Services	64,797	3,499	-
6030 Total Expenditures	<u>436,113</u>	<u>470,335</u>	<u>8,399</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer LEP	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,125
-	-	-	-	-	346,861	1,986	-
18,785	46,008	207,452	80,512	2,226	-	-	-
18,785	46,008	207,452	80,512	2,226	346,861	1,986	20,125
-	46,008	204,790	80,512	2,226	346,861	1,986	20,620
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	344
-	-	2,662	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
18,095	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
18,095	46,008	207,452	80,512	2,226	346,861	1,986	20,964
690	-	-	-	-	-	-	(839)
13,849	-	-	-	-	-	-	10,603
\$ 14,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,764

FABENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	499 Cotton Valley Early College High School	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 296,000	\$ 316,125
5800 State Program Revenues	-	348,847
5900 Federal Program Revenues	-	1,269,830
5020 Total Revenues	<u>296,000</u>	<u>1,934,802</u>
EXPENDITURES:		
Current:		
0011 Instruction	296,034	1,339,194
0013 Curriculum and Instructional Staff Development	-	24,772
0021 Instructional Leadership	-	266,315
0023 School Leadership	40,667	43,329
0031 Guidance, Counseling and Evaluation Services	-	213,537
0033 Health Services	-	2,114
0035 Food Services	-	18,095
0061 Community Services	-	68,296
6030 Total Expenditures	<u>336,701</u>	<u>1,975,652</u>
1200 Net Change in Fund Balance	(40,701)	(40,850)
0100 Fund Balance - September 1 (Beginning)	<u>40,701</u>	<u>65,153</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 24,303</u>

FABENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2016

	816	817	Total
	Cook	T.A. Pollan	Private
	Memorial	Money Fund	Purpose
			Trust Funds
ASSETS			
Cash and Cash Equivalents	\$ 9,784	\$ -	\$ 9,784
Long Term Investments	-	9,404	9,404
Total Assets	<u>9,784</u>	<u>9,404</u>	<u>19,188</u>
NET POSITION			
Restricted for Scholarships	<u>9,784</u>	<u>9,404</u>	<u>19,188</u>
Total Net Position	<u>\$ 9,784</u>	<u>\$ 9,404</u>	<u>\$ 19,188</u>

FABENS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

	816	817	Total Private Purpose Trust Funds
	Cook Memorial	T.A. Pollan Money Fund	
ADDITIONS:			
Local and Intermediate Sources	\$ 30	\$ 71	\$ 101
Total Additions	<u>30</u>	<u>71</u>	<u>101</u>
DEDUCTIONS:			
Supplies and Materials	10	-	10
Other Operating Costs	1,505	600	2,105
Total Deductions	<u>1,515</u>	<u>600</u>	<u>2,115</u>
Change in Net Position	(1,485)	(529)	(2,014)
Total Net Position - September 1 (Beginning)	<u>11,269</u>	<u>9,933</u>	<u>21,202</u>
Total Net Position - August 31 (Ending)	<u>\$ 9,784</u>	<u>\$ 9,404</u>	<u>\$ 19,188</u>

T.E.A. REQUIRED SCHEDULES

FABENS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.146500	123,303,815
2009	1.040000	0.218800	124,710,850
2010	1.040000	0.212900	133,254,382
2011	1.040000	0.198100	135,739,181
2012	1.040000	0.198100	149,367,822
2013	1.040000	0.221900	158,567,319
2014	1.040000	0.221900	150,916,713
2015	1.040000	0.221900	164,053,412
2016 (School year under audit)	1.040000	0.290300	161,161,618
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 159,357	\$ -	\$ 3,355	\$ 306	\$ (3,498)	\$ 152,198
10,855	-	412	58	1	10,386
14,430	-	360	75	3	13,998
15,447	-	1,398	286	(1)	13,762
15,209	-	1,479	282	593	14,041
21,970	-	3,046	580	583	18,927
27,344	-	7,166	1,529	468	19,117
45,854	-	19,329	4,124	659	23,060
84,962	-	42,890	9,151	472	33,393
-	2,143,933	1,616,459	451,208	-	76,266
<u>\$ 395,428</u>	<u>\$ 2,143,933</u>	<u>\$ 1,695,894</u>	<u>\$ 467,599</u>	<u>\$ (720)</u>	<u>\$ 375,148</u>

FABENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 14,406	\$ 14,406	\$ 36,055	\$ 21,649
5800 State Program Revenues	8,800	8,800	8,718	(82)
5900 Federal Program Revenues	1,252,176	1,252,176	1,413,406	161,230
5020 Total Revenues	<u>1,275,382</u>	<u>1,275,382</u>	<u>1,458,179</u>	<u>182,797</u>
EXPENDITURES:				
0035 Food Services	1,213,084	1,213,084	1,273,529	(60,445)
0051 Facilities Maintenance and Operations	30,000	30,000	23,700	6,300
6030 Total Expenditures	<u>1,243,084</u>	<u>1,243,084</u>	<u>1,297,229</u>	<u>(54,145)</u>
1200 Net Change in Fund Balances	32,298	32,298	160,950	128,652
0100 Fund Balance - September 1 (Beginning)	<u>241,697</u>	<u>241,697</u>	<u>241,697</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 273,995</u>	<u>\$ 273,995</u>	<u>\$ 402,647</u>	<u>\$ 128,652</u>

FABENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 718,435	\$ 718,435	\$ 481,097	\$ (237,338)
5800	State Program Revenues	1,169,063	1,169,063	1,158,460	(10,603)
5020	Total Revenues	1,887,498	1,887,498	1,639,557	(247,941)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	890,000	890,000	736,000	154,000
0072	Interest on Long Term Debt	995,198	995,198	1,164,794	(169,596)
0073	Bond Issuance Cost and Fees	1,000	1,000	252,284	(251,284)
6030	Total Expenditures	1,886,198	1,886,198	2,153,078	(266,880)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,300	1,300	(513,521)	(514,821)
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	12,095,000	12,095,000
7916	Premium or Discount on Issuance of Bonds	-	-	1,294,294	1,294,294
8940	Payment to Bond Refunding Escrow Agent (Use)	-	-	(13,130,653)	(13,130,653)
7080	Total Other Financing Sources (Uses)	-	-	258,641	258,641
1200	Net Change in Fund Balances	1,300	1,300	(254,880)	(256,180)
0100	Fund Balance - September 1 (Beginning)	514,831	514,831	514,831	-
3000	Fund Balance - August 31 (Ending)	\$ 516,131	\$ 516,131	\$ 259,951	\$ (256,180)

FEDERAL AWARDS SECTION

**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***

Independent Auditor's Report

Board of Trustees
Fabens Independent School District
Fabens, Texas 79838

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fabens Independent School District (the "District"), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the administration of the District in a separate letter dated January 18, 2017.

Purpose of this Report

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

*Authorized signature available on
Original report on file with TEA*

Smith & Rives, PC
Monahans, Texas
January 18, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of Trustees
Fabens Independent School District
Fabens, Texas 79838

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Fabens Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, 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, 2016.

Report on Internal Control Over Compliance

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

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

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

We have audited the financial statements of the District as of and for the year ended August 31, 2016, and have issued our report thereon dated January 18, 2017, 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Authorized signature available on
Original report on file with TEA*

Smith & Rives, PC
Monahans, Texas
January 18, 2017

**FABENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016**

I. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial Statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more 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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
84.011	Migrant Education - ESEA Title I, Part C

Dollar Threshold used to Distinguish between
Type A and Type B Programs

\$750,000

Auditee qualified as low-risk auditee?

X Yes

___ No

**II. Findings Relating to the Financial Statements Which Are Required to be Reported in
Accordance with *Generally Accepted Auditing Standards*.**

No Findings

III. Findings and Questioned Costs for Federal Awards.

No Findings

**FABENS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016**

(Prepared by the District's Administration)

There were no findings in the prior year.

**FABENS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016**

(Prepared by the District's Administration)

For the following corrective action plan, the contact persons are Eldefonso Garcia, Jr., Superintendent, and Gilbert Alarcon, Assistant Superintendent of Finance.

There are no findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

FABENS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
	12.000	071903	\$ 97,083
Total Direct Programs			\$ 97,083
TOTAL U.S. DEPARTMENT OF DEFENSE			\$ 97,083
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	S010A150043	\$ 1,450,281
ESEA, Title I, Part C - Migratory Children	84.011	S011A150044	449,389
*IDEA - Part B, Formula	84.027	H027A150008	484,652
*IDEA - Part B, Preschool	84.173	H173A140004	8,655
Total Special Education Cluster (IDEA)			493,307
Career and Technical - Basic Grant	84.048	V048A150043	47,408
Title III, Part A - English Language Acquisition	84.365A	S365A140043	81,130
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	S367A150041	207,763
LEP Summer School	84.369A	S369A140045	2,226
Total Passed Through State Department of Education			\$ 2,731,504
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 2,731,504
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	201616N109946	\$ 229,201
*National School Lunch Program - Cash Assistance	10.555	201616N109946	1,075,654
*National School Lunch Prog. - Non-Cash Assistance	10.555	2016-071903	108,551
Total CFDA Number 10.555			1,184,205
*Summer Feeding Program - Cash Assistance	10.559	2016-071903	18,784
Total Child Nutrition Cluster			1,432,190
Total Passed Through the State Department of Agriculture			\$ 1,432,190
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 1,432,190
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,260,777

*Clustered Programs

**FABENS INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016**

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and State financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund, which is a Governmental Fund type. With this measurement focus, only current assets, current liabilities, and fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for Federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the project period ending date, in accordance with provisions in the Uniform Guidance.
4. CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering the District's fiscal year beginning September 1, 2010, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

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

<u>Program Title</u>	<u>CFDA No.</u>	<u>Amount</u>
Navy JROTC	12.000	\$ 97,083
National School Breakfast Program	10.553	229,201
National School Lunch Program	10.555	1,075,654
USDA Commodities	10.555	108,551
Indirect Costs - Others	84.XXX	<u>46,314</u>
Exhibit C-3, General Fund		<u>\$ 1,556,803</u>

SCHOOLS FIRST QUESTIONNAIRE

Fabens Independent School District

Fiscal Year 2016

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?	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?	No
SF10	Total accumulated accretion on CABs included in 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.	7010631
SF13	Pension Expense (6147) at fiscal year-end.	408092