

**SAN BENITO CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT
San Benito, Texas**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

FOR THE YEAR ENDED AUGUST 31, 2015

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED AUGUST 31, 2015

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INTRODUCTORY SECTION

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SAN BENITO, TEXAS

YEAR ENDED AUGUST 31, 2015

TRUSTEES

Anna Cruz - President

Oscar Medrano - Vice-President

Michael A. Vargas - Secretary

Joe G. González

Angel Mendez

Hector G. Leal

Arnold Padilla

SUPERINTENDENT

Dr. Adrian Vega

Business Manager

Emma McCall

CERTIFICATE OF BOARD

San Benito Consolidated Independent School District
Name of School District

Cameron
County

031-912
Co.-Dist. Number

We, the undersigned, do hereby certify that the attached annual financial reports of the above named school district were reviewed and ✓ approved -- ___ disapproved for the year ended August 31, 2015 at a

(Check one)

meeting of the board of school trustees of such school district on the 27 day of January, 2016.



Signature of Board Secretary



Signature of Board President

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
San Benito Consolidated Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the San Benito Consolidated Independent School District as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the San Benito Consolidated Independent School District, as of August 31, 2015, 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.

Change in Accounting Principle

As described in Note B to the financial statements, in 2015, the District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and net pension liability and pension contribution information on pages 15–24 and 76-80 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 San Benito Consolidated Independent School District's basic financial statements. The introductory section and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2016, on our consideration of the San Benito Consolidated Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Benito Consolidated Independent School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Long Chilton, LLP". The signature is written in a cursive, flowing style.

LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
January 27, 2016

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SAN BENITO INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the San Benito Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$ 24,617,509 at August 31, 2015.
- During the year, the District's expenses were \$119,759,655. Revenues generated in taxes and other revenues for governmental activities were \$123,588,957.
- The total cost of the District's programs decreased \$ 6,686,706 from last year. The decrease resulted primarily from cost reductions in the districts self-funded health insurance program.
- In November 2014, the District refinanced Bonds Series 2005 that saved our district interest costs.
- The general fund reported a fund balance this year of \$8,154,908
- The District received a "pass" rating for the Financial Integrity Reporting System of Texas (FIRST) for 2014. The Texas Administrative Code Rule 109.1001 "Financial Accountability Ratings" provides for only two ratings for 2014-2015: P for Pass if it scores within the acceptable range established by the Commissioners for a P rating or F for substandard achievement if it scores below the pass range. Effective for the 2015-2016 fiscal year, and all subsequent school years there will be an expanded rating system of A, B, C or F with the Commissioner establishing the applicable ranges for each rating. The FIRST rating evaluates quality of performance in the management of school district financial resources.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this Annual Financial Report consists of four parts: (1) *management's discussion and analysis* (this section), (2) the *basic financial statements*, (3) *required supplementary information*, and (4) *other supplementary information*, which is the section that presents additional information required by the Texas Education Agency.

The Management's Discussion and Analysis section is intended to serve as an introduction to the District's Basic Financial Statements. The District's Basic Financial Statements comprise three components: (1) Government-Wide Financial Statements (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements.

The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.

- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. All of the District's services are reported in the government-wide financial statements, including instructional, instructional leadership, student support services, general administration, support services, and debt services. Property taxes, state foundation funds and grants finance most of these activities.

SAN BENITO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

The *statement of net position* presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The District has no business-type activities.

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.*
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

- a. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- b. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- c. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

SAN BENITO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined by the state legislature for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. Net position as of September 1, 2014 was decreased by \$12,925,619 to reflect the cumulative effect of adoption.

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 69.

Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 70.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District's fiscal year-end, the effect from the District's reported contributions to the plan subsequent to the respective measurement date of the plan is an increase in deferred outflow of resources and a decrease in net position.

SAN BENITO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements. The fund financial statements provide more detailed information about the District's most significant *funds* – *not* the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes to show that it is properly using taxes and grants.

The District has the following kinds of funds:

Governmental funds: Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year.

Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

The District maintains 25 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the debt service fund, which are considered to be major funds. Data from the other governmental funds are combined in a single, aggregated presentation. The District adopts an annual appropriated budget for its General Fund and Debt Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

Proprietary funds: Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The District utilized proprietary funds for a daycare and an afterschool program but closed both of these funds at the start of the current school year. The district also utilizes internal service funds (also proprietary fund types) for print shop operations, self-funded health insurance and its workers compensation insurance. In prior years an internal service fund was utilized for transportation but it was closed as of the beginning of the current school year and all transportation operations are reported in the general fund.

Fiduciary funds: The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Financial Statements

The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The Required Supplementary Information relates to comparison of the original adopted budget, the final amended budget, and the actual results for the fiscal year ended. This is required supplementary information for the general fund. Also included in RSI is the Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System and the Schedule of the District Contributions – Teacher Retirement System.

SAN BENITO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Other Supplementary Information

The Other Supplementary Information section contains information for the purpose of additional analysis and is not a required part of the basic financial statements. This section includes certain compliance schedules required by the Texas Education Agency.

Government-Wide Financial Analysis

Presented in Tables I and II below are summarized Statement of Net Position and Statement of Changes in Net Position for both current and prior-year data. Our analysis focuses on the current year and the comparison of prior-year amounts on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended August 31, 2015, the District's assets and deferred outflows exceeded its liabilities and deferred inflows by \$24,617,509, which includes the \$ 12,925,619 adjustment for GASB 68.

Table I
Net Position Summary

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 25,947,657	\$ 37,856,587
Capital assets	<u>109,339,203</u>	<u>116,080,082</u>
Total assets	<u>135,286,860</u>	<u>153,936,669</u>
Deferred outflows	<u>5,565,678</u>	<u>2,457,033</u>
Other liabilities	10,868,624	27,886,614
Long-term liabilities	<u>101,876,581</u>	<u>94,841,261</u>
Total liabilities	<u>112,745,205</u>	<u>122,727,875</u>
Deferred inflows	<u>3,489,824</u>	<u>-</u>
Net investment in capital assets	20,923,906	29,162,275
Restricted	1,354,808	903,442
Unrestricted	<u>2,338,795</u>	<u>3,600,110</u>
Total net position	<u>\$ 24,617,509</u>	<u>\$ 33,665,827</u>

As depicted in Table I, a significant portion of the District's net position, 85%, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Also, approximately 6% of the net position of the District represents resources that are subject to external restriction on how they may be used. The remaining 9 % of net position are unrestricted and may be used to meet the District's ongoing obligations.

Changes in Net Position

The Net Position of the District decreased by \$9,096,317 for the year ended August 31, 2015, however there was a decrease of \$12,925,619 as the result of the restatement of beginning net position from the implementation of GASB Statements No. 68 and 71. The total revenues from taxpayers, user service, grants and other sources for the District was \$97,610,558, an increase over fiscal year 2014 of \$ 8,401,812. The revenue increase is due to several factors. The refined ADA for the 2014-15 school year was up about 110 from the 2013-14 school year, and in addition the enrollment of students increased in the CATE and Special Ed programs. This increased the revenue about \$ 4M. The child nutrition program changed from the Provision 2 program to CEP which resulted in an increase of about \$ 1M. There was a reduction from the estimated overpayment for EDA & IFA when TEA settled up the account. This was about \$ 1.7M.

SAN BENITO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

There were also increases in the tax collections and other revenue accounts. Total expenses for the 2015 fiscal year were \$119,759,655, or \$6,644,107 less than the expenses for fiscal year 2014 and the decrease was primarily from the 3.3 million in health insurance expense reduction due to cost containment efforts plus 3.3 million in excess revenue over expense in ISF that gets allocated back.

Table II
Changes in Net Position

	2015	2014
Program Revenues:		
Charges for services	\$ 636,429	\$ 627,733
Operating grants and contributions	25,341,970	24,941,068
General Revenues:		
Property taxes	11,354,273	11,067,977
State and other grants	85,902,983	77,453,548
Investment earnings	29,039	29,703
Miscellaneous local intermediate	324,263	660,140
Total Revenues	123,588,957	114,780,169
Program Expenses:		
Instruction	59,322,070	66,025,034
Instructional resources and media services	1,718,419	1,895,658
Curriculum and instructional staff development	2,526,850	2,262,031
Instructional leadership	3,930,224	4,163,280
School leadership	6,031,112	6,630,878
Guidance, counseling and evaluation services	3,904,438	4,613,064
Social services	587,792	662,220
Health services	950,291	1,147,375
Student (pupil) transportation	4,034,672	2,692,778
Food services	8,295,497	8,189,564
Co-curricular/extracurricular activities	3,260,432	3,131,092
General administration	3,880,073	3,612,256
Plant maintenance and operations	14,325,259	14,550,851
Security and monitoring services	2,364,385	1,980,796
Data processing services	187,608	201,111
Community services	446,080	428,467
Debt service	3,867,103	4,096,419
Other governmental charges	127,350	120,888
Total Expenses	119,759,655	126,403,762*
Increase (decrease) in net position	3,829,302	(11,623,593)
Beginning net position	33,713,826	45,269,061
Prior period adjustment – GASB 68 and 71 pensions	(12,925,619)	68,358
Ending net position	\$ 24,617,509	\$ 33,713,826

*Business type activities for day care and afterschool program are not reported in program expenses above since there are no comparable business type activities for 2015. Instead, the change in net position for these business type activities of \$2,622 has been reclassified and included in miscellaneous local intermediate revenue for 2014.

The District's total revenues were \$123,588,957. A significant portion, 90%, of the District's revenue comes from state aid – formula grants and operating grants. 9% comes from taxes, while only 1% relates to charges for services.

The Net Position of the District decreased by \$9,096,317 for the year ended August 31, 2015, however there was a decrease of \$12,925,619 as the result of the restatement of beginning net position from the implementation of GASB Statements No. 68 and 71.

SAN BENITO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Governmental Activities

The District's property tax rate remained at \$1.3049 per \$100 of taxable property value as compared to last year's rate.

The total cost of all programs and services was \$119,759,655; 79% of these costs are for instructional and student services.

Table III presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$119,759,655.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$11,354,273.
- The cost that was paid by those who directly benefited from the programs was \$636,429.
- The amount paid by operating grants and contributions was \$25,341,970.

Table III
Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction and instructional related	\$59,322,070	\$66,025,034	\$49,584,866	\$54,884,450
School leadership	6,031,112	6,630,878	5,621,892	6,261,296
Food services	8,295,497	8,189,564	(494,655)	526,146
Plant maintenance and operations	14,325,259	14,550,851	13,933,357	14,160,671

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements, bond covenants, and segregation for particular purposes.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of August 31, 2015, the District's governmental funds reported a combined ending fund balance of \$8,478,231, a decrease of \$136,144 from last year. Of the total fund balance, \$5,179,227 or approximately 61 percent, constitutes unassigned fund balance. The remainder of fund balance is nonspendable, restricted, committed or assigned for particular purposes as follows:

SAN BENITO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Table IV
Governmental Funds – Fund Balances

Nonspendable	
Inventories	\$ 414,660
Prepayments	142,746
Restricted	
Grant funds	1,111,655
Committed	
Construction	323,323
Assigned	
State mandated programs and E-rate	1,306,620
Unassigned	
Unassigned	<u>5,179,227</u>
	<u>\$8,478,231</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had invested \$214,127,793 in a broad range of capital assets, including land, equipment, buildings, and vehicles. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table V
Capital Assets

	<u>Governmental Activities</u>	
	(In thousands of dollars)	
	<u>2015</u>	<u>2014</u>
Land	\$ 8,018	\$ 8,018
Buildings and improvements	185,585	185,338
Furniture and equipment	<u>20,524</u>	<u>20,012</u>
Total assets at historical cost	214,127	213,368
Accumulated depreciation	<u>(104,788)</u>	<u>(97,288)</u>
Net capital assets	<u>\$109,339</u>	<u>\$116,080</u>

Long-term Debt

At year-end, the District had \$101,876,581 in bonds, related premiums/discounts and other long-term liabilities as shown in Table VI. More detailed information about the District's debt is presented in the notes to the financial statements.

Bond Ratings

The District's bonds presently carry "BBB+" ratings assigned by Fitch Ratings.

SAN BENITO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Table VI
Long-term Debt

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Bonds payable	\$ 82,745,000	\$ 89,220,000
Premiums/discounts	5,198,956	3,227,759
Accrued interest on CABs	1,479,641	1,255,371
Notes payable	-	161,961
Compensated absences	1,044,712	976,170
Net pension liability	<u>11,408,272</u>	<u>-</u>
	<u>\$101,876,581</u>	<u>\$ 94,841,261</u>

Net Pension Liability

The adoption of Statement No. 68 resulted in the District's reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for each of its qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement. The decrease in the District's net pension liability (NPL) to \$11,408,272 at August 31, 2015 from \$14,008,421 at August 31, 2014 was the result of a significant increase in net investment income in the TRS plan during 2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised property value used for the 2016 budget preparation was \$1,308,598,191 which is a 7 % increase over last year's value.
- General operating fund for 2016 shows an operating surplus of \$1.6M.
- The District's 2016 refined average daily attendance is expected to be 10,046 which is the same as last year.

These indicators were taken into account when adopting the general fund budget for 2016. The District adopted a budget with a surplus. The District is closely monitoring all operating costs due to recent shortfalls in the budget and the need to build up the fund balance.

The district implemented some staffing formulas for the 2015-16 school year. As a result the district has reduced the number of staff by about 130. Most of this reduction was through attrition. Due to this reduction in staff the district was able to give a 5% salary increase to all support staff, and a new, more competitive pay schedule for the teachers. The district also approved a new actuarially sound self-funded health insurance plan to better contain the costs of the health insurance benefits.

Based on the above information, the District's general fund balance is expected to increase by \$ 1.6M by the close of fiscal year 2016.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate 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 240 N. Crockett Street, San Benito, Texas 78586.

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BASIC FINANCIAL STATEMENTS

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SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 18,725,541	\$ -	\$ 18,725,541
1220	Property Taxes Receivable (Delinquent)	2,788,257	-	2,788,257
1230	Allowance for Uncollectible Taxes	(328,734)	-	(328,734)
1240	Due from Other Governments	3,931,754	-	3,931,754
1267	Due from Fiduciary Funds	271,978	-	271,978
1290	Other Receivables, net	770	-	770
1300	Inventories	414,660	-	414,660
1410	Prepayments	142,746	-	142,746
1490	Other Current Assets	685	-	685
Capital Assets:				
1510	Land	8,018,198	-	8,018,198
1520	Buildings, Net	97,096,406	-	97,096,406
1530	Furniture and Equipment, Net	4,224,599	-	4,224,599
1000	Total Assets	135,286,860	-	135,286,860
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	2,687,941	-	2,687,941
1702	Deferred Resource Outflows for Pensions	2,877,737	-	2,877,737
1700	Total Deferred Outflows of Resources	5,565,678	-	5,565,678
LIABILITIES				
2110	Accounts Payable	2,930,669	-	2,930,669
2140	Interest Payable	151,621	-	151,621
2150	Payroll Deductions & Withholdings	169,543	-	169,543
2160	Accrued Wages Payable	3,387,933	-	3,387,933
2180	Due to Other Governments	3,001,229	-	3,001,229
2300	Unearned Revenue	1,227,629	-	1,227,629
Noncurrent Liabilities				
2501	Due Within One Year	5,095,000	-	5,095,000
2502	Due in More Than One Year	85,373,309	-	85,373,309
2540	Net Pension Liability (District's Share)	11,408,272	-	11,408,272
2000	Total Liabilities	112,745,205	-	112,745,205
DEFERRED INFLOWS OF RESOURCES				
2602	Deferred Resource Inflows for Pensions	3,489,824	-	3,489,824
2600	Total Deferred Inflows of Resources	3,489,824	-	3,489,824
NET POSITION				
3200	Net Investment in Capital Assets	20,923,906	-	20,923,906
3820	Restricted for Federal and State Programs	1,354,808	-	1,354,808
3900	Unrestricted	2,338,795	-	2,338,795
3000	Total Net Position	\$ 24,617,509	\$ -	\$ 24,617,509

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 59,322,070	\$ 69,197	\$ 9,668,007
12 Instructional Resources and Media Services	1,718,419	-	106,691
13 Curriculum and Staff Development	2,526,850	1,786	2,152,079
21 Instructional Leadership	3,930,224	-	1,713,057
23 School Leadership	6,031,112	-	409,220
31 Guidance, Counseling and Evaluation Services	3,904,438	-	1,245,233
32 Social Work Services	587,792	-	172,355
33 Health Services	950,291	-	186,300
34 Student (Pupil) Transportation	4,034,672	-	100,865
35 Food Services	8,295,497	354,265	8,435,887
36 Extracurricular Activities	3,260,432	165,244	140,477
41 General Administration	3,880,073	8,038	142,900
51 Facilities Maintenance and Operations	14,325,259	37,899	354,003
52 Security and Monitoring Services	2,364,385	-	154,740
53 Data Processing Services	187,608	-	-
61 Community Services	446,080	-	360,156
72 Debt Service - Interest on Long Term Debt	3,637,806	-	-
73 Debt Service - Bond Issuance Cost and Fees	229,297	-	-
99 Other Intergovernmental Charges	127,350	-	-
[TG] Total Governmental Activities:	119,759,655	636,429	25,341,970
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 119,759,655	\$ 636,429	\$ 25,341,970
Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
GC	Grants and Contributions not Restricted		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
FR	Transfers In (Out)		
TR	Total General Revenues & Transfers		
CN	Change in Net Position		
NB	Net Position - Beginning		
PA	Prior Period Adjustment		
NE	Net Position--Ending		

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (49,584,866)	\$ -	\$ (49,584,866)
(1,611,728)	-	(1,611,728)
(372,985)	-	(372,985)
(2,217,167)	-	(2,217,167)
(5,621,892)	-	(5,621,892)
(2,659,205)	-	(2,659,205)
(415,437)	-	(415,437)
(763,991)	-	(763,991)
(3,933,807)	-	(3,933,807)
494,655	-	494,655
(2,954,711)	-	(2,954,711)
(3,729,135)	-	(3,729,135)
(13,933,357)	-	(13,933,357)
(2,209,645)	-	(2,209,645)
(187,608)	-	(187,608)
(85,924)	-	(85,924)
(3,637,806)	-	(3,637,806)
(229,297)	-	(229,297)
(127,350)	-	(127,350)
(93,781,256)	-	(93,781,256)
(93,781,256)	-	(93,781,256)
10,179,648	-	10,179,648
1,174,625	-	1,174,625
79,385,949	-	79,385,949
6,517,034	-	6,517,034
29,039	-	29,039
324,263	-	324,263
47,999	(47,999)	-
97,658,557	(47,999)	97,610,558
3,877,301	(47,999)	3,829,302
33,665,827	47,999	33,713,826
(12,925,619)	-	(12,925,619)
\$ 24,617,509	\$ -	\$ 24,617,509

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 12,369,521	\$ 49,505	\$ 345,809	\$ 12,764,835
1220 Property Taxes - Delinquent	2,464,476	323,781	-	2,788,257
1230 Allowance for Uncollectible Taxes (Credit)	(296,356)	(32,378)	-	(328,734)
1240 Receivables from Other Governments	2,930,842	-	1,000,912	3,931,754
1260 Due from Other Funds	1,490,265	20,027	-	1,510,292
1290 Other Receivables	770	-	-	770
1300 Inventories	414,660	-	-	414,660
1410 Prepayments	142,746	-	-	142,746
1490 Other Current Assets	685	-	-	685
1000 Total Assets	<u>\$ 19,517,609</u>	<u>\$ 360,935</u>	<u>\$ 1,346,721</u>	<u>\$ 21,225,265</u>
LIABILITIES				
2110 Accounts Payable	\$ 987,446	\$ -	\$ 241,325	\$ 1,228,771
2150 Payroll Deductions and Withholdings Payable	165,693	-	3,850	169,543
2160 Accrued Wages Payable	3,164,299	-	223,634	3,387,933
2170 Due to Other Funds	699,740	69,532	503,134	1,272,406
2180 Due to Other Governments	3,001,229	-	-	3,001,229
2300 Unearned Revenues	1,176,174	-	51,455	1,227,629
2000 Total Liabilities	<u>9,194,581</u>	<u>69,532</u>	<u>1,023,398</u>	<u>10,287,511</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	2,168,120	291,403	-	2,459,523
2600 Total Deferred Inflows of Resources	<u>2,168,120</u>	<u>291,403</u>	<u>-</u>	<u>2,459,523</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	414,660	-	-	414,660
3430 Prepaid Items	142,746	-	-	142,746
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	1,111,655	-	-	1,111,655
Committed Fund Balance:				
3510 Construction	-	-	323,323	323,323
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	1,306,620	-	-	1,306,620
3600 Unassigned Fund Balance	5,179,227	-	-	5,179,227
3000 Total Fund Balances	<u>8,154,908</u>	<u>-</u>	<u>323,323</u>	<u>8,478,231</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 19,517,609</u>	<u>\$ 360,935</u>	<u>\$ 1,346,721</u>	<u>\$ 21,225,265</u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 8,478,231
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	4,292,900
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets was \$214,127,793 and the accumulated depreciation was \$104,788,591. The net effect of including the capital assets (net of depreciation) in the governmental activities is to increase net position.	109,339,202
3 Long term liabilities, including bonds payable \$82,745,000 and interest accretion on CAB bonds \$1,479,641 are not due and payable in the current period and therefore are not reported in the funds.	(84,224,641)
4 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 \$11,408,272, a deferred resource inflow related to TRS in the amount of \$3,489,824 and a deferred resource outflow related to TRS in the amount of \$2,877,737. This amounted to a decrease in net position in the amount of \$12,020,359.	(12,020,359)
5 Payable for compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(1,044,712)
6 Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	2,459,523
7 Premiums and discounts resulting from the issuance of bonds are capitalized, net of amortization, on the government wide statements.	(5,198,955)
8 Gains/losses on defeasance of debt through refundings are recognized as deferred inflows or outflows and amortized over the remaining life of the debt as an increase (decrease) to net position. Deferred inflows/outflows due to debt refundings are not reported in the funds.	2,687,941
9 Interest expense is paid when due in the fund financial statements but is accrued in the government wide statements. Accrued interest on bonds payable at year end decreases net position.	(151,621)
19 Net Position of Governmental Activities	\$ 24,617,509

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 11,204,304	\$ 1,219,419	\$ 7,092	\$ 12,430,815
5800 State Program Revenues	83,612,097	4,611,160	925,446	89,148,703
5900 Federal Program Revenues	10,258,893	-	11,830,797	22,089,690
5020 Total Revenues	105,075,294	5,830,579	12,763,335	123,669,208
EXPENDITURES:				
Current:				
0011 Instruction	51,166,311	-	7,096,049	58,262,360
0012 Instructional Resources and Media Services	1,678,667	-	7,113	1,685,780
0013 Curriculum and Instructional Staff Development	337,109	-	2,135,893	2,473,002
0021 Instructional Leadership	2,290,907	-	1,605,473	3,896,380
0023 School Leadership	5,879,883	-	72,158	5,952,041
0031 Guidance, Counseling and Evaluation Services	2,779,056	-	1,089,885	3,868,941
0032 Social Work Services	430,218	-	148,078	578,296
0033 Health Services	813,328	-	118,212	931,540
0034 Student (Pupil) Transportation	3,535,939	-	1,940	3,537,879
0035 Food Services	8,355,555	-	-	8,355,555
0036 Extracurricular Activities	3,054,022	-	50,903	3,104,925
0041 General Administration	3,792,662	-	-	3,792,662
0051 Facilities Maintenance and Operations	14,004,668	-	16,337	14,021,005
0052 Security and Monitoring Services	2,243,466	-	61,322	2,304,788
0053 Data Processing Services	199,461	-	-	199,461
0061 Community Services	79,904	-	359,440	439,344
Debt Service:				
0071 Principal on Long Term Debt	371,961	4,810,000	-	5,181,961
0072 Interest on Long Term Debt	82,194	3,288,550	-	3,370,744
0073 Bond Issuance Cost and Fees	3,250	226,047	-	229,297
Capital Outlay:				
0081 Facilities Acquisition and Construction	9,950	-	-	9,950
Intergovernmental:				
0099 Other Intergovernmental Charges	127,350	-	-	127,350
6030 Total Expenditures	101,235,861	8,324,597	12,762,803	122,323,261
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	3,839,433	(2,494,018)	532	1,345,947
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	15,790,000	-	15,790,000
7912 Sale of Real and Personal Property	2,962	-	-	2,962
7915 Transfers In	199,335	2,268,809	-	2,468,144
7916 Premium or Discount on Issuance of Bonds	-	2,347,630	-	2,347,630
8911 Transfers Out (Use)	(4,178,406)	-	-	(4,178,406)
8949 Other (Uses)	-	(17,912,421)	-	(17,912,421)
7080 Total Other Financing Sources (Uses)	(3,976,109)	2,494,018	-	(1,482,091)
1200 Net Change in Fund Balances	(136,676)	-	532	(136,144)
0100 Fund Balance - September 1 (Beginning)	8,291,584	-	322,791	8,614,375
3000 Fund Balance - August 31 (Ending)	\$ 8,154,908	\$ -	\$ 323,323	\$ 8,478,231

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

SAN BENITO CONSOLIDATED 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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (136,144)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	3,552,868
During the current year two proprietary funds (day care and afterschool program) were closed and the transportation internal service fund was closed and all transportation functions were returned to the general fund. In closing these funds, transfers were required to and from the general fund to effect the closure and move the capital assets to the government wide statements from the transportation internal service fund. The net effect of these transfers was to increase net position.	1,710,262
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets, \$781,339, is allocated over their useful lives as depreciation expense which totaled \$7,522,218 for all assets for the year. This is the amount of depreciation in excess of capital outlay in the current period.	(6,740,879)
Repayment of bond and note principal is an expenditure in the funds but is not an expense in the statement of activities.	5,181,961
The issuance of long term debt provides current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. The district issued refunding bonds in 2014 in the amount of \$15,790,000 which sold at a premium of \$2,347,630. This is the amount of other financing resources eliminated from the governmental funds.	(18,137,630)
The payment to the fiscal agent (other financing use) used current financial resources in the governmental funds but in the statement of activities there was no such utilization. Instead new debt replaced existing debt. This is the amount of the payment to the escrow agent to defease the existing debt outstanding in the current fiscal year.	17,912,421
Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues in the governmental funds. This is the change in unearned tax revenues in the governmental funds.	(83,213)
Governmental funds report the effect of premiums, discounts, gains and losses on debt transactions when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In addition, interest is recorded in the governmental funds only when paid but in the statement of activities it is recognized as it accrues. This is the net impact of the amortization of the premiums, discounts, deferred loss on refunding and the change in accrued interest.	(267,062)
Some expenses such as the effect of the changes in compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(68,542)
The implementation of GASB Statement No. 68 required that certain expenditures be de-expended and recorded as deferred resource inflows. These contributions made after	905,260

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

SAN BENITO CONSOLIDATED 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, 2015

the measurement date of August 30, 2014 caused the change in ending net position to increase in the amount of \$1,959,754. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decreased the change in net position by \$1,054,494. The result of these amounts is to increase the change in net position by \$905,260.

Change in Net Position of Governmental Activities

	\$ 3,829,302
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The notes to the financial statements are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2015

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ 5,960,706
Due from Other Funds	-	34,092
Total Assets	-	5,994,798
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	1,701,898
Total Liabilities	-	1,701,898
NET POSITION		
Restricted for Other Purposes	-	4,292,900
Total Net Position	\$ -	\$ 4,292,900

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ -	\$ 15,506,153
Total Operating Revenues	-	15,506,153
OPERATING EXPENSES:		
Payroll Costs	-	17,770
Professional and Contracted Services	-	11,472,206
Supplies and Materials	-	53,265
Other Operating Costs	-	410,044
Total Operating Expenses	-	11,953,285
Income Before Transfers	-	3,552,868
Transfer In	-	1,758,261
Transfers Out	(47,999)	(1,758,261)
Change in Net Position	(47,999)	3,552,868
Total Net Position - September 1 (Beginning)	47,999	740,032
Total Net Position - August 31 (Ending)	\$ -	\$ 4,292,900

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ -	\$ 15,506,153
Cash Payments to Employees for Services	-	(17,770)
Cash Payments for Insurance Claims	-	(14,307,260)
Cash Payments for Suppliers	-	(582,368)
Net Cash Provided by Operating Activities	-	598,755
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Interfund Repayments	47,999	3,622,395
Net Increase in Cash and Cash Equivalents	47,999	4,221,150
Cash and Cash Equivalents at Beginning of Year	-	1,739,556
Cash and Cash Equivalents at End of Year	\$ 47,999	\$ 5,960,706
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by Operating Activities:</u>		
Operating Income (Loss):	\$ -	\$ 3,552,868
Effect of Increases and Decreases in Current Assets and Liabilities:		
Increase (decrease) in Accounts Payable	-	(2,954,113)
Net Cash Provided by Operating Activities	\$ -	\$ 598,755

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 10,474	\$ 738,217
Due from Other Funds	-	18,058
Total Assets	<u>10,474</u>	<u>\$ 756,275</u>
LIABILITIES		
Accounts Payable	-	\$ 80,815
Due to Other Funds	-	290,036
Due to Student Groups	-	385,424
Unearned Revenues	10,474	-
Total Liabilities	<u>10,474</u>	<u>\$ 756,275</u>

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

NOTES TO FINANCIAL STATEMENTS

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SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2015

NOTE A - REPORTING ENTITY

The San Benito Consolidated Independent School District (the "District") is an independent public education agency operating under applicable laws and regulations of the State of Texas. This report includes the financial statements of the funds required to account for those activities, organizations and functions, which are related to the District and which are controlled by or dependent upon the District's governing body, the Board of Trustees. The Board of Trustees (the Board), includes seven eligible members elected at large by the qualified voters of the San Benito Consolidated Independent School District. The Board has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board.

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, no other entities have been included in the District's financial reporting entity. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other government or other type of reporting entity.

The criteria used to determine whether an organization is a component unit of the District includes: financial accountability of the District for the component unit, appointment of a voting majority, fiscal dependency, ability to impose the District's will on the component unit, and whether there is a financial benefit or burden to the District.

For financial reporting purposes, the San Benito Consolidated Independent School District Public Facility Corporation ("PFC") is included in the operations and activities of the District because of the fiscal dependency criteria whereby the PFC serves the District exclusively.

The San Benito Consolidated Independent School District Public Facility Corporation ("PFC"), a blended component unit, was organized to finance the construction of a new multi-purpose stadium for the District. SBCISD PFC is governed by a Board of Directors composed of the San Benito Consolidated Independent School District Board of Trustees. The SBCISD PFC is blended as part of the governmental activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Benito Consolidated Independent School District's (the "District") basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide"). The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. *Government-Wide Statements and Fund Financial Statements*

The government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the District. The effect of the interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include charges to customers and grants used for operational requirements. Governmental activities are supported by tax revenues, state aid, charges for services, investment earnings and intergovernmental revenues such as grants.

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

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

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for the purpose of, carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. 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 non-major funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The District reports the following major governmental fund:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In addition, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds: The District accounts for resources restricted to, or designated for, a specific purpose by the District or a grantor in a special revenue fund. Most federal and some state financial award programs are accounted for in these funds and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Capital Projects Fund. The District uses this fund to account for bond proceeds used for construction.

Fiduciary Funds:

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agency capacity and are not available to support District programs, these funds are not included in the government-wide statements. They are as follows:

Private Purpose Trust Funds: The District accounts for donations for which the donor stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds include the General Scholarship Fund.

Agency Funds: The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund includes the Student Activity Fund, Tax Clearing Fund and Tax Escrow Fund.

In addition, the District reports the following proprietary fund:

Internal Service Fund: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the uses of support services on a cost reimbursement basis. The District reports its print shop, health insurance plan and workers comp insurance plan in internal service funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The Proprietary Fund Types and the Fiduciary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into restricted net position (held in trust) and unrestricted net position. The agency funds record only assets and liabilities and use the accrual basis of accounting to recognize receivables and payables. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become available and measurable. The District considers revenues as available if they are collected within the 60 days after year end. Revenues susceptible to accrual are property taxes, fiscal year state funding, and interest revenues. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Unearned revenue is reported in the governmental funds when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

3. *New Accounting Standards Adopted*

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.*
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

1. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
2. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
3. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirement of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term “government combinations” is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the District’s financial statements as a result of the implementation of Statement No. 69.

Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the District’s financial statements as a result of the implementation of Statement No. 70.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District’s fiscal year-end, the effect from the District’s reported contributions to the plan subsequent to the respective measurement date of the plan was an increase in deferred outflow of resources and a decrease in net position.

4. Budgets

The official school budget was prepared for adoption for required Governmental Fund types by August 31, 2014. The budget was formally adopted by the board of school trustees at a duly advertised public meeting prior to the expenditure of funds. The budget was amended by the board of school trustees throughout the year. Expenditures may not legally exceed budgeted appropriations at the function level.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Cash and Cash Equivalents*

For the purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with maturity within three months or less.

6. *Investments*

Money market investments which are short-term, highly liquid debt instruments including commercial paper, bankers' acceptances and U.S. Treasury and agency obligations are reported at fair value.

7. *Inventory*

Inventory is valued at cost (average). The District accounts for school supply and food inventories by using the consumption method whereby expenditures are recognized only when inventory items are used. Maintenance supplies inventory is accounted for by using the purchase method whereby purchases of inventories are recognized as expenditures when the goods are received and the transaction is vouchered. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

8. *Other Current Assets*

Other current assets are prepaid expenses that will benefit periods beyond August 31, 2015. The only prepaid expenses included are for unexpired insurance policy premiums paid by August 31, 2015, and which extend beyond that date. The reported prepaid insurance is equally offset by nonspendable fund balance, which indicates that they do not constitute "available expendable resources" even though they are a component of net current assets. Prepayment expenditures are recorded when purchased rather than when consumed.

9. *Capital Assets*

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Assets Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	52
Building Improvements	20
Vehicles	2 – 15
Office Equipment	3 – 15
Computer Equipment	3 – 15

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. *Interfund Activity*

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

11. *Long-term Obligations*

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred charges and amortized over the term of the related debt.

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

12. *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

13. *Compensated Absences*

The District's policy which was modified in the current year, allows employees to be reimbursed for up to 30 days of accumulated local leave upon separation from the District at a daily reimbursement rate of \$150 for professionals and \$100 for auxiliary employees. Criteria are established based upon retirement, resignation or separation due to reduction in force but a minimum of ten years of consecutive service with the District is required. Sick leave in excess of the 30 day maximum is not paid at termination, but is paid only upon illness while employed by the District.

14. *Accounting System*

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by TEA in the Resource Guide. Mandatory codes are recorded in the order provided in that section.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

15. *Data Control Codes*

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a State-wide database for policy development and funding plans.

16. *Fund Balance Reporting*

The District's policy provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories. The District has prepaid items and inventories that are considered nonspendable. In addition to the nonspendable fund balance, the policy has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The responsibility to commit funds rests with the Board of Trustees. Committed amounts cannot be used for any other purpose unless the governing board changes or lifts the constraint taking the same formal action that imposed the constraint originally. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The responsibility to assign funds rests with the Superintendent or the Assistant Superintendent for Business Services.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, The District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Minimum fund balance policy: The Board of Trustees adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set between ten and fifteen percent of the District's total operating expenditures of fund balance in the general fund. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur within a three-year period.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

17. *Encumbrance Accounting*

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31st and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget.

18. *Deferred Outflows and Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflow 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 has two items that qualify for reporting in this category. The first is the deferred charge on refunding which is reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. The second is deferred outflows of resources for TRS pension which are also reported in the government-wide statement of net position. This deferred outflow results from pension plan contributions made after the measurement date of the net pension liability as well as the results of differences between expected and actuarial experiences and assumptions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first is unavailable revenue from property taxes which is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that they become available. The second is deferred inflows of resources for TRS pension which is reported in the government-wide statement of net position and results primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

NOTE C – DEPOSITS AND INVESTMENTS

Investment Accounting Policy

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE C – DEPOSITS AND INVESTMENTS - Continued

Investment Accounting Policy - Continued

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies; the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value.

The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The Act determines the types of investments, which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, 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 District's policy authorizes all the State allowable investments.

The District's management believes that it has complied in all material respects with the requirements of the Act and the District's investment policies.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the District's investment policy, and Government Code Chapter 2257 "Collateral For Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public fund investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and to the extent reasonably possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than .995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE C – DEPOSITS AND INVESTMENTS - Continued

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,099,460, including fiduciary funds and the bank balance was \$3,233,061. In addition to these cash and cash equivalents, the District maintains \$17,374,772 in government investment pools. The District's cash deposits at August 31, 2015 and during the year ended August 31, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District's cash deposits at August 31, 2015 are maintained primarily at Frost National Bank, Harlingen, Texas. These deposits were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank. The deposits were collateralized in accordance with Texas Law, and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District. Deposits were properly secured at all times.

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

- a. Depository: Frost National Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$22,086,285.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$15,864,460 and occurred during the month of December 2014.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance to the District's local policy, the District uses final and weighted-average maturity limits and diversification. It manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District's policy in using final and weighted-average-maturity limits helps reduce exposure to changes in interest rates that could adversely affect the value of investments.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE C – DEPOSITS AND INVESTMENTS – Continued

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the specific investments and their maturity:

<u>Description</u>	<u>CUSIP</u>	<u>Amount</u>	<u>Maturity</u>	<u>Days</u>
Texas CLASS	N/A	\$ 5,497,766	N/A	Daily
Lone Star	N/A	<u>11,877,006</u>	N/A	Daily
		<u>\$17,374,772</u>		

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the District's investment policy and the Texas Public Fund Investment Act and the actual rating as of year end for each investment.

<u>Description</u>	<u>Minimum Legal Rating</u>	<u>Amount</u>	<u>Rating</u>	<u>Percentage</u>
Texas CLASS	AAA	\$ 5,497,766	AAA	32%
Lone Star	AAA	<u>11,877,006</u>	AAA	78%
		<u>\$17,374,772</u>		

Concentration of Credit Risk

The Investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act ("PFIA"). There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Public Funds Investment Pools

The First Public (Lone Star Investment Pool or Lone Star) is a public funds investment pool operated under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended (the "Act"). Lone Star is governed by trustees comprised of active participants in Lone Star. The Board of Trustees for Lone Star has the responsibility for adopting and monitoring compliance with the investment policy, of appointing investment officers, of overseeing the selection of an investment advisor, custodian, investment consultant, administrator and other service providers. Each Lone Star fund has earned Standard & Poor's highest rating (AAA), which meets the standards set by the Public Funds Investment Act.

Texas CLASS (Texas Cooperative Liquid Assets Securities System) was created and operates under Section 2256.016 of the Public Funds Investment Act as an investment pool for Texas local government entities. Eligible participants execute a Trust agreement with the cooperative and there is no minimum amount required nor is there an aggregate limit on the amount invested. Texas CLASS is rated (AAAm) by Standard & Poors, which meets the standards set by the Public Funds Investment Act.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE C – DEPOSITS AND INVESTMENTS – Continued

The District's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

NOTE D - PROPERTY TAX

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District's 2015 tax rate was \$1.17 for maintenance and \$.1349 for debt service per \$100 assessed valuation. The 2014 assessed valuation was \$896,741,770. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At August 31, 2015 outstanding taxes in the general fund and debt service fund was \$2,464,476 and \$323,781 with a corresponding allowance for doubtful accounts of \$296,356 and \$32,378.

NOTE E – DUE FROM AND TO OTHER GOVERNMENTS AND AGENCIES

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
<i>General Fund:</i>		
Texas Education Agency:		
Foundation revenues	\$2,652,721	\$3,001,229
National School Lunch and Breakfast Programs	277,109	-
Other government agencies		
Headstart	<u>1,012</u>	<u>-</u>
	2,930,842	3,001,229

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE E – DUE FROM AND TO OTHER GOVERNMENTS AND AGENCIES

	<u>Due From</u>	<u>Due To</u>
<i>Other Governmental Funds:</i>		
Texas Education Agency:		
ESEA, Title I, Part A – Improving Basic Programs	\$ 450,095	\$ -
ESEA, Title I, Part C	147,528	-
IDEA, Part B, Formula	118,668	-
IDEA, Part B, Preschool	2,638	-
ESEA, Title II, Part A, Teacher/Principal Training	122,638	-
Title III, Part A, English Language Acquisition	14,665	-
Title IV, Part B, 21 st Century Community Learning Center	59,630	-
Title I, SIP Academy Grant	5	-
Summer School LEP	45,647	-
Instructional materials allotment	28,370	-
Region One ESC:		
GEAR-UP	<u>11,028</u>	<u>-</u>
	<u>1,000,912</u>	<u>-</u>
 Total	 <u>\$3,931,754</u>	 <u>\$3,001,229</u>

NOTE F – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2015, were as follows:

	<u>Property Taxes, Net</u>	<u>Other Governments</u>	<u>Due from Other Funds</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$2,168,120	\$2,930,842	\$1,490,265	\$ 770	\$6,589,997
Debt Service Fund	291,403	-	20,027	-	311,430
Other Funds	<u>-</u>	<u>1,000,912</u>	<u>-</u>	<u>-</u>	<u>1,000,912</u>
Total Governmental Activities	<u>\$2,459,523</u>	<u>\$3,931,754</u>	<u>\$1,510,292</u>	<u>\$ 770</u>	<u>\$7,902,339</u>

Payables at August 31, 2015, were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 987,446	\$3,329,992	\$ 699,740	\$3,001,229	\$8,018,407
Debt Service Fund	-	-	69,532	-	69,532
Other Funds	<u>241,325</u>	<u>227,484</u>	<u>503,134</u>	<u>-</u>	<u>971,943</u>
Total Governmental Activities	<u>\$1,228,771</u>	<u>\$3,557,476</u>	<u>\$1,272,406</u>	<u>\$3,001,229</u>	<u>\$9,059,882</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2015, was as follows:

	General Capital Assets <u>Sept. 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	General Capital Assets <u>Aug. 31, 2015</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 8,018,198	\$ -	\$ -	\$ 8,018,198
Total capital assets not being depreciated	8,018,198	-	-	8,018,198
Capital assets being depreciated				
Building and improvements	185,338,340	247,022	-	185,585,362
Furniture and equipment	11,439,058	465,878	(6,754)	11,898,182
Vehicles	8,573,009	68,439	(15,397)	8,626,051
Total capital assets being depreciated	205,350,407	781,339	(22,151)	206,109,595
Less accumulated depreciation:				
Building and improvements	81,961,425	6,527,531	-	88,488,956
Furniture and equipment	8,893,192	610,351	(6,754)	9,496,789
Vehicles	6,433,906	384,336	(15,397)	6,802,845
Total accumulated depreciation	97,288,523	7,522,218	(22,151)	104,788,590
Total capital assets being depreciated, net	108,061,884	(6,740,879)	-	101,321,005
Governmental activities capital assets, net	\$116,080,082	\$(6,740,879)	\$ -	\$109,339,203

Depreciation was charged to the following functions:

Governmental Activities:

11 – Instruction	\$3,665,386
12 – Instructional resources and media services	106,055
13 – Curriculum and instructional staff development	155,581
21 – Instructional Leadership	245,128
23 – School Leadership	374,453
31 – Guidance, counseling and evaluation services	243,402
32 – Social work services	36,382
33 – Health services	58,605
34 – Student (pupil) transportation	610,352
35 – Food services	525,663
36 – Cocurricular/extracurricular activities	195,336
41 – General administration	238,603
51 – Plant maintenance and operations	882,086
52 – Security and monitoring services	144,998
53 – Data processing services	12,548
61 – Community services	27,640
	<u>\$7,522,218</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE H - LONG-TERM OBLIGATIONS

Long-term obligations include bonds payable, loans payable, compensated absences, and net pension liability. Changes in long-term obligations for the year ended August 31, 2015 are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance Sept. 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance Aug. 31, 2015</u>	<u>Due Within One Year</u>
Bonds payable					
General Obligation Bonds:					
Unlimited Tax School Building Bonds – Series 2004	\$ 920,000	\$ -	\$ (920,000)	\$ -	\$ -
Unlimited Tax School Building Bonds – Series 2005 -B	18,690,000	-	(18,690,000)	-	-
Unlimited Tax School Building Bonds – Series 2005 –A	800,000	-	(800,000)	-	-
Unlimited Tax School Building and Refunding CAB Bonds – Series 2005-A	470,000	-	(470,000)	-	-
Unlimited Tax School Building Bonds – Series 2008	33,465,000	-	(810,000)	32,655,000	840,000
Unlimited Tax School Building Bonds – Series 2010	3,505,000	-	-	3,505,000	-
Unlimited Tax School Building CAB Bonds – Series 2010	10,000	-	(5,000)	5,000	5,000
Unlimited Tax School Refunding Bonds, Series 2011	7,685,000	-	(100,000)	7,585,000	100,000
Unlimited Tax School Refunding CAB Bonds, Series 2011	440,000	-	-	440,000	-
Unlimited Tax School Refunding Bonds, Series 2012	19,695,000	-	(165,000)	19,530,000	165,000
Unlimited Tax School Refunding CAB Bonds, Series 2012	265,000	-	-	265,000	-
Unlimited Tax School Refunding Bonds, Series 2014	-	15,790,000	(95,000)	15,695,000	2,745,000
Lease Revenues Bonds –Series 2006	<u>3,275,000</u>	<u>-</u>	<u>(210,000)</u>	<u>3,065,000</u>	<u>220,000</u>
Total bonds payable	89,220,000	15,790,000	(22,265,000)	82,745,000	4,075,000
Accrued interest unlimited tax school building and refunding CAB Bonds	1,255,371	581,304	(357,034)	1,479,641	970,000
Discount on issuance of bonds	(353,056)	-	84,205	(268,851)	-
Premium on issuance of bonds	3,580,815	2,347,630	(460,638)	5,467,807	-
Note payable	161,961	-	(161,961)	-	-
Compensated absences	976,170	115,807	(47,265)	1,044,712	50,000
Net pension liability*	<u>14,008,421</u>	<u>-</u>	<u>(2,600,149)</u>	<u>11,408,272</u>	<u>-</u>
Total governmental activities	<u>\$108,849,682</u>	<u>\$18,834,741</u>	<u>\$(25,807,842)</u>	<u>\$101,876,581</u>	<u>\$5,095,000</u>

**Per GASB 68, beginning balance for net pension liability includes the restatement of net pension liability at September 1, 2014.*

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE H - LONG-TERM OBLIGATIONS - Continued

The District's other non-current liabilities including compensated absences are liquidated in the fund where the liability was incurred. Thus, the general fund satisfies most liabilities for governmental activities.

General Obligation Bonds:

Bonds payable at August 31, 2015 are comprised of the following individual issues:

On September 25, 2008, the District received Unlimited Tax School Building Bonds, Series 2008 proceeds totaling \$37,000,000 to renovate certain campuses, more specifically the chill water system at the High School and other campuses as necessary; to add new wings to Veterans Academy to convert campus to a 9th and 10th grade campus. The bonds include \$17,945,000 in Serial Bonds, \$18,515,000 term current interest bonds and \$540,000 Premium Capital Appreciation Bonds (CAB). Interest rates vary from 3.00% to 4.625% on the serial bonds 5% on the term current interest bonds and 2.11% to 2.63% on the CAB bonds. Interest on the term current interest bonds and interest on the CAB Bonds is to accrete from the date of initial delivery. Interest on the serial bonds will mature and are payable annually on February 15th beginning in the year 2011. The bond matures on February 15, 2028. \$32,655,000

On May 15, 2010, the District issued \$3,535,000 Unlimited Tax Refunding Bonds Series 2010. The bonds consist of \$3,505,000 current interest bonds with interest rates ranging from 2.52% to 2.91% and capital appreciation bonds totaling \$30,000 with interest rates ranging from .90% to 2.62%. The capital appreciation bonds mature in six annual installments of \$40,000 beginning in 2011 and ending in 2016. The current interest bonds mature in three installments beginning in 2017 and ending in 2019 ranging from \$1,060,000 to \$1,240,000. The bonds were issued to refund certain outstanding unlimited tax obligations of the District in order to reduce the annual debt service of the District. 3,510,000

On August 30, 2011, an election to authorize the District to sell \$8,470,000 Unlimited Tax Refunding Bonds, Series 2011, passed by a majority of the participating voters. The bonds comprise of \$8,030,000 current interest serial bonds with interest rates ranging from 2% to 3.5% on installments ranging from \$95,000 to \$1,340,000. Current interest serial bonds mature in years 2012 through 2024. The refunding also comprised of capital appreciation bonds totaling \$440,000 and matures in 2018. The bonds were used to refund portions of the Unlimited Tax School Building Bonds, Series 2004. 8,025,000

On February 21, 2012, an election to authorize the District to sell \$20,355,000 Unlimited Tax Refunding Bonds, Series 2012, passed by a majority of the participating voters. The bonds comprise of \$13,520,000 current interest serial bonds with interest rates ranging from 2% to 5% on installments ranging from \$90,000 to \$1,970,000. Current interest serial bonds mature in years 2012 through 2024, current interest term bonds totaling \$6,335,000 due February 15, 2034 and capital appreciation bonds totaling \$500,000 and matures in years 2012 through 2017. The bonds were used to refund portions of the Unlimited Tax School Building Bonds, Series 2004. 19,795,000

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2014

NOTE H - LONG-TERM OBLIGATIONS – Continued

During November 2014, the District issued \$15,790,000 Unlimited Tax Refunding Bonds, Series 2014, after they are approved in an election by a majority of the participating voters. The bonds are current interest bonds with interest rates ranging from 2% to 5% on installments ranging from \$95,000 to \$2,745,000 maturing in 2025. The bonds were used to refund the 2005 School Building and Refunding bonds.

\$15,695,000

On February 13, 2006, the District issued \$4,500,000 Lease Revenue Bonds Series 2006. The bonds mature in years 2007 through 2026 in installments ranging from \$150,000 to \$345,000 with interest rates ranging from 4.01% to 4.68%. The bonds were issued to equip school buildings including a football stadium.

3,065,000

\$82,745,000

Advance Refunding

In November 2014, the Board approved and issued \$15,790,000 in Unlimited Tax Refunding Bonds, Series 2014 for the purpose of refunding a portion of the District's outstanding bonds Series 2005 and to provide resources to cover costs of issuance to purchase qualifying securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the accounts of the District. The refunding bonds were sold at a premium in the amount of \$2,347,630. The cost of issuance totaled \$222,946. Principal payments range from \$95,000 to \$2,745,000 plus interest and interest rates range from 2% to 5%.

The advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$2,506,456 to obtain an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of \$2,266,903.

In prior years, the District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the respective trust account assets and related liabilities for the defeased bonds are not included in the District's financial statements. At August 31, 2015, the following outstanding bonds are considered defeased:

<u>Series</u>	<u>Ending Balance</u>
2000	\$14,085,000
2004	28,825,000
2005	17,245,000

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE H - LONG-TERM OBLIGATIONS - Continued

Debt service requirements on long-term debt at August 31, 2015 are as follows:

Year Ending August 31,	General Obligation Bonds		Lease Revenue Bonds		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 3,855,000	\$ 4,242,506	\$ 220,000	\$ 71,511	\$ 4,075,000	\$ 4,314,017
2017	3,960,000	4,123,381	230,000	66,066	4,190,000	4,189,447
2018	4,440,000	3,637,906	240,000	60,379	4,680,000	3,698,285
2019	3,440,000	2,822,819	250,000	54,450	3,690,000	2,877,269
2020	3,610,000	2,691,957	265,000	48,218	3,875,000	2,740,175
2021-2025	20,615,000	10,966,950	1,515,000	132,495	22,130,000	11,099,445
2026-2030	15,945,000	6,945,384	345,000	8,349	16,290,000	6,953,733
2031-2035	17,260,000	3,395,759	-	-	17,260,000	3,395,759
2036-2040	<u>6,555,000</u>	<u>502,625</u>	<u>-</u>	<u>-</u>	<u>6,555,000</u>	<u>502,625</u>
Total	\$79,680,000	\$39,329,287	\$3,065,000	\$ 441,468	\$82,745,000	\$39,770,755

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2015.

NOTE I - SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION

The Public Facility Corporation is a public non-profit corporation, the creation of which was sponsored by the District pursuant to the Public Facility Corporation Act, Article 717s, Vernon's Texas Civil Statutes, as amended (the "Public Facility Corporation Act"). The Public Facility Corporation Act authorizes the creation and utilization by school districts of public facility corporations to issue bonds to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing and placing in service of public facilities of its governmental sponsor and further authorizes the governmental sponsor to incur lease purchase obligations in favor of the corporation to serve as security for the bonds issued by the Public Facility Corporation.

Lease revenue bonds in the principal amount of \$4,500,000 were issued on February 13, 2006, pursuant to a resolution by the Board of Directors of the Public Facility Corporation and a Master Trust Indenture dated as of February 1, 2007, (the "Trust Indenture") between the Public Facility Corporation and Compass Bank, as trustee to finance, for the benefit of the District, the construction of a new multi-purpose stadium.

To accomplish the financing, the Public Facility Corporation and the District entered into a "Lease With An Option to Purchase Relating to the San Benito Consolidated Independent School District Bobby Morrow Stadium," pursuant to the terms of which the District will pay to the Public Facility Corporation such lease payments at such times and in such amounts as will be required to pay the principal of premium, if any, and interest on the lease revenue bonds as they become due.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE J - REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds	Internal Service Fund
Property taxes	\$10,253,025	\$1,184,461	\$ -	\$11,437,486	\$ -
Food sales	354,265	-	-	354,265	-
Investment income	26,788	1,719	531	29,038	1,720
Penalties and interest	268,896	33,239	-	302,135	-
Co-curricular student activities	165,244	-	-	165,244	-
Interfund services	-	-	-	-	12,769,362
Other	136,086	-	6,561	142,647	2,735,071
	<u>\$11,204,304</u>	<u>\$1,219,419</u>	<u>\$ 7,092</u>	<u>\$12,430,815</u>	<u>\$15,506,153</u>

NOTE K - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

	Statement of Net Position	Balance Sheet - Governmental Funds	
	Governmental Activities	General Fund	Debt Service Fund
Deferred outflows of resources:			
Deferred outflows from pension activities	\$2,877,737	\$ -	\$ -
Deferred charge on refunding	<u>2,687,737</u>	-	-
Total deferred outflows of resources	<u>\$5,565,474</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred inflows of resources:			
Deferred inflows from pension activities	\$3,489,824	\$ -	\$ -
Unavailable property taxes	-	<u>2,168,120</u>	<u>291,403</u>
Total deferred inflows of resources	<u>\$3,489,824</u>	<u>\$2,168,120</u>	<u>\$ 291,403</u>

NOTE L - UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of August 31, 2015, the various components of unearned revenue reported in the governmental funds were as follows:

	Amount
State and private grants	\$1,227,629

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE L - UNEARNED REVENUE - Continued

Unearned revenues for state and private grants represent revenues received in excess of expenditures incurred for those programs for which the project period has not yet ended.

Unavailable revenues from property taxes represent property taxes levied but not collected as of August 31, 2015 (less allowance for uncollectible taxes). Unavailable property taxes will be recognized as revenue in the fiscal year that they become available.

NOTE M – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivable and payable balances at August 31, 2015 were:

<u>Due from</u>	<u>Due to</u>	
Other funds within the general fund	General Fund	\$ 665,648
Debt Service	General Fund	69,532
Non-major funds	General Fund	503,134
Agency funds	General Fund	251,951
Agency funds	Debt Service Fund	<u>20,027</u>
Due from other funds		1,510,292
Reconcilement to due to other funds:		
Internal Service Fund	General Fund	34,092
Agency funds	General Fund	(251,951)
Agency funds	Debt Service Fund	<u>(20,027)</u>
Due to other funds		<u>\$1,272,406</u>

The remaining balances resulted from a routine lag between the dates that transactions such as year-end payroll accruals and worker's compensation adjustment payments are made between the funds.

All amounts are scheduled to be repaid within one year.

<u>Transfer Out</u>	<u>Transfer In</u>	
General Fund	Debt Service Fund	\$2,268,809
Fund within the General Fund	General Fund	151,336
General Fund	Internal Service Fund	<u>1,758,261</u>
Transfers out		4,178,406
Enterprise Funds	General Fund	47,999
Internal Service Fund – capital assets	*	1,758,261

*Transfer in the government-wide statements to close the transportation internal service fund.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE N - GENERAL FUND FEDERAL SOURCE REVENUES

Federally financed programs are generally accounted for in the Other Governmental Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA and certain direct revenues. The District recognized in the General fund such revenues for the year ended August 31, 2015, from various federal sources as follows:

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
School Breakfast Program	10.553	\$ 2,203,420
National School Lunch Program	10.555	5,672,088
USDA – Donated Commodities	10.565	514,485
Indirect costs:		
Elementary and Secondary School Counseling Program	84.215E	4,099
ESEA Title I, Part A, Improving Basic Programs	84.010A	106,166
ESEA Title I, Part D, Subpart D Delinquent Programs	84.010A	5,434
TTL I 1003(A) Priority and Focus School Grants	84.010A	755
ESEA Title I, Part C, Migrant	84.011	21,212
IDEA, Part B, Formula	84.027	13,778
IDEA, Part B, Preschool	84.173	362
Title IV, Part B, 21 st Century Community Learning Center	84.287	27,496
Title III, Part A, LEP	84.365A	5,176
ESEA II, A Training and Recruiting	84.367A	6,515
Texas TTL I Priority Schools	84.377A	6,682
Payments in lieu of taxes	-	55,262
SHARS	-	1,486,286
Medicaid administrative claim	-	44,570
JROTC	-	85,107
		<u>\$10,258,893</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE O – COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provision

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violations</u>	<u>Action Taken</u>
The final budget amendment was not approved by the Board of Trustees prior to August 31, 2015.	None necessary

b. Deficit Fund Balance or Fund Net Position of Individual Funds

No deficit fund balances were reported in the current year.

NOTE P - CONTINGENT LIABILITIES

The District is a party to various legal actions, none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE Q – 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE Q – DEFINED BENEFIT PENSION PLAN - Continued

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 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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE Q – DEFINED BENEFIT PENSION PLAN - Continued

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. 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 2014 and 2015.

	<u>Contribution Rates</u>	
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-employer contributing entity (state)	6.8%	6.8%
Employer	6.8%	6.8%

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions as of the pension plan measurement date were as follows:

Employer Contributions	\$1,082,802
Member Contributions	\$4,213,240
Nonemployer contributing agency (state) Contributions	\$3,460,434

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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE Q – DEFINED BENEFIT PENSION PLAN - Continued

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

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, 2014 are summarized below:

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE Q – DEFINED BENEFIT PENSION PLAN – Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-term Expected Portfolio Real Rate of Return*</u>
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U. S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha	<u>—</u>		<u>1.0%</u>
Total	<u>100%</u>		<u>8.7%</u>

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE Q – DEFINED BENEFIT PENSION PLAN – Continued

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease In Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$20,385,890	\$11,408,272	\$4,694,686

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

At August 31, 2014, the District reported a liability of \$11,408,272 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	\$11,408,272
State's proportionate share that is associated with the District	<u>36,536,490</u>
Total	<u>\$47,944,762</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .0427094%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE Q – DEFINED BENEFIT PENSION PLAN – Continued

For the year ended August 31, 2015, the District recognized pension expense of \$3,377,731 and revenue of \$3,377,731 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 176,433	\$ -
Changes in actuarial assumptions	741,550	-
Difference between projected and actual investment earnings	-	3,486,834
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	2,990
Total net amounts per August 31, 2014 measurement date	917,983	3,489,824
Contributions paid to TRS subsequent to the measurement date	1,959,754	-
Total	\$2,877,737	\$3,489,824

The \$1,959,754 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2016. 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>Pension Plan Years Ended August 31:</u>	<u>Pension Expense Amount</u>
2015	\$(717,349)
2016	(717,349)
2017	(717,349)
2018	(717,349)
2019	154,359
Thereafter	143,196

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE R – RETIREE HEALTH CARE 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 Care 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 option 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 website at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015–2013.

Fiscal Year	Contribution Rates and Contribution Amounts						
	Member		State on-behalf		District		Covered Payroll
	Rate	Amount	Rate	Amount	Rate	Amount	
2015	6.500%	\$422,909	1.000%	\$ 84,926	0.550%	\$357,609	\$65,016,551
2014	6.500%	427,909	1.000%	79,418	0.550%	367,504	65,831,754
2013	6.500%	408,182	0.500%	41,387	0.550%	345,419	62,796,595

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Subsidy payments received by TRS-Care on behalf of the District are shown in the table below for fiscal years 2015-2013.

Fiscal Year	Medicare Part D
2015	\$289,897
2014	198,505
2013	183,516

Contributions made by the State on behalf of the District have been recorded in the government-wide financial statements and in the fund financial statements of the General Fund as both state revenues and payroll expenditures.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year by major category of risk.

State law allows school districts to retain risk through its own risk management program, insure through a commercial carrier, or insure through a public entity risk pool. The District is self-insured for employee medical benefits. The District contracts with a third-party to provide administrative claims processing services for employee medical benefits for the District.

The group health insurance program is reported in the Insurance fund, an internal service fund. Interfund premiums are paid into the internal service and are based primarily on claims experience and are reported as quasi-external transactions.

Accruals for claims are adjusted on a regular basis based on the latest information available on each case. Claims incurred but not reported have been considered in determining the accrual for claims, and the District's management believes adequate accruals have been provided at August 31, 2015.

The District maintains a \$125,000 stop-loss policy for the health self-funded insurance program.

Changes in the balance of claims liabilities during the past year are as follows:

	August 31,	
	2015	2014
Unpaid claims, beginning of year	\$ 4,396,414	\$ 944,654
Incurred claims (including IBNR's)	7,913,335	12,925,426
Claim payments	<u>(10,866,164)</u>	<u>(9,473,666)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,443,585</u>	<u>\$ 4,396,414</u>

As a result of the significant increase in health claims for the prior year, the District made changes to the managed care option (the plan used by the majority of the District's employees) for the 2014-2015 plan year. The monthly premium cost per employee has been increased by \$25 per month, dental coverage has been eliminated and the District now contributes \$660 per employee, an increase of \$360 per month.

In prior years, the District was also self-insured for workers compensation coverage for all employees of the District. Since the liability for workers compensation claims is open ended for the life of any current and former employees, the District has elected to maintain the workers compensation internal service fund although this risk is now managed through the purchase of commercial insurance. The District purchases the annual insurance policy from the previously established self insurance fund and contributions are made in a manner consistent with prior years. The fund had a restricted net position at year end of \$898,979 which was an increase of \$158,947 in net position from the prior year.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

NOTE T – FUND BALANCES

Committed for Construction – the School Board has taken action to commit the fund balance remaining in the capital projects fund (authorized projects have been completed) to future construction of construction related projects.

Assigned – the School Board has authorized the superintendent by board resolution to assign funds for specifically identified purposes.

Unassigned – the unassigned fund balance has no constraints.

	General Funds	Other Governmental Funds Debt Service Fund	Other Funds	Total Governmental Funds
FUND BALANCES				
Nonspendable fund balance				
Inventories	\$ 414,660	\$ -	\$ -	\$ 414,660
Prepayments	142,746	-	-	142,746
Restricted				
Federal programs	1,111,655	-	-	1,111,655
Committed				
Construction	-	-	323,323	323,323
Assigned				
Gifted and talented	44,521	-	-	44,521
Career and technology	335,987	-	-	335,987
State compensatory education	542,515	-	-	542,515
State bilingual education	240,456	-	-	240,456
High school allotment	118,717	-	-	118,717
E-rate	24,424	-	-	24,424
Unassigned	<u>5,179,227</u>	<u>-</u>	<u>-</u>	<u>5,179,227</u>
Total fund balances	<u>\$8,154,908</u>	<u>\$ -</u>	<u>\$323,323</u>	<u>\$8,478,231</u>

NOTE U – PRIOR PERIOD ADJUSTMENT

Change in Accounting Principle

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior adjustment is \$(12,925,619). The restated beginning net position is \$20,788,207.

NOTE W – COMMITMENT

The Board of Trustees approved an employee compensation plan for the 2015-2016 school year that will increase the payroll costs for the District in the new school year by an estimated \$1,378,582 which were included the adopted budget for 2015-2016. The compensation plan includes an adjusted teacher salary schedule to be more competitive with other districts and assures professional staff a minimum 3% pay increase and also provides a 5% pay increase for support staff.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-1

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	\$ 11,232,528	\$ 11,232,528	\$ 11,204,304	\$ (28,224)
5800	State Program Revenues	80,855,291	80,855,291	83,612,097	2,756,806
5900	Federal Program Revenues	10,150,000	10,150,000	10,258,893	108,893
5020	Total Revenues	102,237,819	102,237,819	105,075,294	2,837,475
EXPENDITURES:					
Current:					
0011	Instruction	51,008,234	53,356,889	51,166,311	2,190,578
0012	Instructional Resources and Media Services	1,670,761	1,765,684	1,678,667	87,017
0013	Curriculum and Instructional Staff Development	418,745	413,794	337,109	76,685
0021	Instructional Leadership	2,457,264	2,504,040	2,290,907	213,133
0023	School Leadership	5,602,211	5,983,969	5,879,883	104,086
0031	Guidance, Counseling and Evaluation Services	2,780,207	3,023,106	2,779,056	244,050
0032	Social Work Services	393,349	438,686	430,218	8,468
0033	Health Services	849,996	884,837	813,328	71,509
0034	Student (Pupil) Transportation	1,040,210	3,957,078	3,535,939	421,139
0035	Food Services	8,429,998	8,429,998	8,355,555	74,443
0036	Extracurricular Activities	2,836,125	3,166,564	3,054,022	112,542
0041	General Administration	3,376,339	3,946,529	3,792,662	153,867
0051	Facilities Maintenance and Operations	14,160,880	14,381,992	14,004,668	377,324
0052	Security and Monitoring Services	2,119,960	2,373,207	2,243,466	129,741
0053	Data Processing Services	199,000	532,486	199,461	333,025
0061	Community Services	67,540	95,036	79,904	15,132
Debt Service:					
0071	Principal on Long Term Debt	372,100	372,100	371,961	139
0072	Interest on Long Term Debt	84,421	84,421	82,194	2,227
0073	Bond Issuance Cost and Fees	5,000	5,000	3,250	1,750
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	9,950	9,950	-
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	75,000	69,397	-	69,397
0099	Other Intergovernmental Charges	128,000	128,000	127,350	650
6030	Total Expenditures	98,075,340	105,922,763	101,235,861	4,686,902
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	4,162,479	(3,684,944)	3,839,433	7,524,377
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	2,962	2,962
7915	Transfers In	36,000	340,500	199,335	(141,165)
7949	Other Resources	-	1,566	-	(1,566)
8911	Transfers Out (Use)	(4,993,039)	(4,269,335)	(4,178,406)	90,929
7080	Total Other Financing Sources (Uses)	(4,957,039)	(3,927,269)	(3,976,109)	(48,840)
1200	Net Change in Fund Balances	(794,560)	(7,612,213)	(136,676)	7,475,537
0100	Fund Balance - September 1 (Beginning)	8,291,584	8,291,584	8,291,584	-
3000	Fund Balance - August 31 (Ending)	\$ 7,497,024	\$ 679,371	\$ 8,154,908	\$ 7,475,537

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
YEAR ENDED AUGUST 31, 2015

District's proportion of the net pension liability (asset)	0.0427094%
District's proportionate share of net pension liability (asset)	\$11,408,272
State's proportionate share of the net pension liability (asset) associated with the District	<u>36,536,490</u>
Total	<u>\$47,944,762</u>
 District's covered employee payroll	 \$65,831,754
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	17.33%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

Note: GASB 68, paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 – August 31, 2014.

Note: Only one year of data is presented in accordance with GASB #68, paragraph 138. "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."

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
YEAR ENDED AUGUST 31, 2015

Contractually required contribution	\$1,959,754
Contribution in relation to the contractually required contribution	(1,959,754)
Contribution deficiency (excess)	\$ _____ -
District's covered employee payroll	\$65,016,551
Contributions as a percentage of covered employee payroll	3.01%

Note: GASB 68, paragraph 81.2.a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 – the period from September 1, 2013 – August 31, 2014.

Note: Only one year of data is presented in accordance with GASB #68, paragraph 138. "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."

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2015

Stewardship, compliance, and accountability

I. Budgetary information

The Board adopts an "appropriated budget" on a basis consistent with GAAP for the general fund and the debt service fund. At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these funds.

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

- Prior to August 20 for a fiscal year start date of September 1, the District prepares a budget based on the modified zero-based budgeting concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one or more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to August 31st for a fiscal year start date of September 1, the Board legally adopts the budget for the general fund and the debt service fund.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year.
- Expenditure budgets are controlled at the expenditure functional and object level by the appropriate budget manager (principal, department director or applicable administrator). Budget managers may authorize transfers within functional and organizational categories that do not affect the total functional and organizational appropriation. All budget appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities. Since appropriations lapse at the end of each year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
YEAR ENDED AUGUST 31, 2015

Over the course of the year, the District revised the budget numerous times. Even with these adjustments, actual expenditures were \$4,686,902 below final budget amounts. The most significant positive variances resulted from health insurance expenses being less than amounts anticipated when the costs charged to the various funds by the health self insurance fund were adjusted and the budget was amended accordingly.

The final amendment to the budget was not approved by the Board of Trustees prior to the end of the fiscal year, August 31, 2015. The final amendment which is reflected in the final budgeted amounts reported on Exhibit G-1 was approved September 8, 2015.

II. Pension

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

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

OTHER SUPPLEMENTARY INFORMATION

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TEXAS EDUCATION AGENCY
REQUIRED SCHEDULES

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.320000	0.144000	712,144,013
2008	1.040000	0.200000	738,640,614
2009	1.040000	0.264900	775,765,108
2010	1.040000	0.264900	808,526,943
2011	1.170000	0.134900	828,448,406
2012	1.170000	0.134900	838,322,189
2013	1.170000	0.134900	850,768,778
2014	1.170000	0.134900	872,203,176
2015 (School year under audit)	1.170000	0.134900	896,741,770
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 613,742	\$ -	\$ 14,902	\$ 1,812	\$ (84,847)	\$ 512,181
96,562	-	6,451	704	(733)	88,674
94,187	-	7,647	1,471	(626)	84,443
120,048	-	11,858	3,020	(632)	104,538
135,451	-	24,734	2,852	(1,616)	106,249
168,044	-	37,098	4,277	(219)	126,450
254,715	-	73,701	8,498	(973)	171,543
424,349	-	158,373	18,260	(1,508)	246,208
968,072	-	407,125	46,941	(33,284)	480,722
-	11,535,894	9,511,135	1,096,626	(60,884)	867,249
<u>\$ 2,875,170</u>	<u>\$ 11,535,894</u>	<u>\$ 10,253,024</u>	<u>\$ 1,184,461</u>	<u>\$ (185,322)</u>	<u>\$ 2,788,257</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ 1,257,000	\$ 1,257,000	\$ 1,219,419	\$ (37,581)
5800	State Program Revenues	3,893,937	3,893,937	4,611,160	717,223
5020	Total Revenues	5,150,937	5,150,937	5,830,579	679,642
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	4,900,000	4,900,000	4,810,000	90,000
0072	Interest on Long Term Debt	3,426,778	3,426,778	3,288,550	138,228
0073	Bond Issuance Cost and Fees	5,000	5,000	226,047	(221,047)
6030	Total Expenditures	8,331,778	8,331,778	8,324,597	7,181
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,180,841)	(3,180,841)	(2,494,018)	686,823
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	15,790,000	15,790,000
7915	Transfers In	3,180,841	3,671,769	2,268,809	(1,402,960)
7916	Premium or Discount on Issuance of Bonds	-	-	2,347,630	2,347,630
8949	Other (Uses)	-	-	(17,912,421)	(17,912,421)
7080	Total Other Financing Sources (Uses)	3,180,841	3,671,769	2,494,018	(1,177,751)
1200	Net Change in Fund Balances	-	490,928	-	(490,928)
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ 490,928	\$ -	\$ (490,928)

SINGLE AUDIT SECTION

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

To the Board of Trustees
San Benito Consolidated Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Benito Consolidated Independent School District, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise San Benito Consolidated Independent School District's basic financial statements, and have issued our report thereon dated January 27, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2015-001 and 2015-002.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Benito Consolidated Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002.

In addition, we noted certain other matters that we reported to management of the San Benito Consolidated Independent School District in a separate letter dated January 27, 2016.

San Benito Consolidated School District's Response to Findings

San Benito Consolidated Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. San Benito Consolidated Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
January 27, 2016

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Trustees
San Benito Consolidated Independent School District

Report on Compliance for Each Major Federal Program

We have audited San Benito Consolidated Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Benito Consolidated Independent School District's major federal programs for the year ended August 31, 2015. San Benito Consolidated Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of San Benito Consolidated Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 San Benito Consolidated Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, San Benito Consolidated 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, 2015.

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Report on Internal Control Over Compliance

Management of San Benito Consolidated Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Benito Consolidated Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 San Benito Consolidated Independent School 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


LONG CHILTON, LLP
Certified Public Accountants

Harlingen, Texas
January 27, 2016

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SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	<u> X </u> no
• Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> yes	_____ none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	_____ yes	<u> X </u> no
• Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ yes	<u> X </u> no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553 and 10.555	Child Nutrition Cluster
84.010A	ESEA, Title I, Part A – Improving Basic Programs
84.287	Title IV, Part B – 21 st Century Community Learning Center
84.377A	Title I, SIP Academy Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$607,961
Auditee qualified as low-risk auditee?	_____ yes <u> X </u> no

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

STATE COMPLIANCE FINDING

DESCRIPTION

Reference Number: (2015-001)

Allocated State Program Revenues Not Expended

Criteria:

For programs financed under the Foundation School Program Act, the District must expend at least 52%, 55% or 58% of its allocation as mandated by the Act.

Condition Found:

The District failed to expend at least 52% of its allocation for State Compensatory Education (Program Code 30), 52% of its allocation for Bilingual Education (Program Code 25), 58% of its allocation for Career and Technology (Program Code 22) and 55% of Gifted and Talented (Program Code 21) during the 2014-2015 year. In addition, the District failed to expend its full high school allotment during the 2014-2015 year.

Questioned Costs/Basis:

State Compensatory Education (Program Code 30) - \$542,515
Bilingual Education (Program Code 25) - \$240,456
Career and Technology (Program Code 22) - \$335,987
Gifted and Talented (Program Code 21) - \$44,521
High School Allotment (Program Code 31) - \$118,717

Questioned costs represent the amount below the required percentage for which the District failed to expend.

Context:

While reviewing the District's compliance with its expenditures of state mandated programs we noted that the District failed to spend the required amount for State Compensatory Education, State Bilingual Education, Career and Technology, Gifted and Talented, and the High School Allotment as noted above.

Effect:

The questioned costs represent the total amount underspent for the program listed.

Recommendation:

We recommend the District establish policies and procedures to monitor the spending of state mandated program expenditures. Financial analysis throughout the year will assist the District in monitoring the level of expenditures and help to ensure compliance.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED AUGUST 31, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

STATE COMPLIANCE FINDING

DESCRIPTION

Reference Number: (2015-002)

**Final Budget Amendment Not Adopted by Last Day
of Fiscal Year**

Criteria:

Texas Education Code Section 44.006 states public funds of the District may not be spent in any manner other than as provided for in a budget adopted by the board of trustees. Any amendments to the budget must be prepared and filed according to rules adopted by the State Board of Education. The State Board's rules are communicated through the Texas Education Agency's Financial Accountability Resource Guide in Section 2.10.6 Amending the Budget which states "all budget amendments are required to be adopted by the last day of the fiscal year".

Condition Found:

The District's final budget amendment for the 2014-2015 school year was not approved by the board until the September 8, 2015 school board meeting which was after the last day of the fiscal year end of August 31, 2015. In addition, there is such a significant difference between the final amended budget and actual expenditures that the amendment process appears flawed.

Questioned Costs/Basis:

No questioned costs

Context:

While reviewing the board minutes for the August 25, 2015 Special Board meeting it was noted that action on approving the 2014-2015 final budget amendment was tabled pending a comparison of previous budgets.

Effect:

The fiscal year ended without the Board having approved the final budget amendment prior to the last day of the fiscal year. The amendment was approved at the regular board meeting on September 8, 2015 and staff did post the amendment into the accounting system for the fiscal year ended August 31, 2015.

Recommendation:

We recommend that the District ensure the final amendment is approved by the Board prior to the last day of the fiscal year. Comparisons of budget and actual expenditures need to be done throughout the year and the year end reporting process needs to be completed in a more timely fashion.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted that were required to be reported.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
SCHEDULE OF STATUS OF PRIOR FINDINGS
YEAR ENDED AUGUST 31, 2015

PROGRAM DESCRIPTION

CORRECTIVE ACTION PLAN

Schedule Reference Number: (14-1)

Allocated State Program Revenue

Corrective Action Plan:

See current year finding 2015-001.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2015

PROGRAM DESCRIPTION

Schedule Reference Number: (2015-001)

Corrective Action Plan:

CORRECTIVE ACTION PLAN

Allocated State Program Revenues

The District will ensure that a coordinated effort between program directors, principals, and the business office staff results in the proper budgeting and subsequent expenditure of state allocated program funds to meet the required annual percentages within the program guidelines in a timely manner.

Schedule Reference Number: (2015-002)

Corrective Action Plan:

Final Budget Amendment Not Adopted by Last Day of Fiscal Year

The business office will prepare all budget amendments in advance of the applicable board meeting and with sufficient detail so that the Board has adequate time and information to understand the support for the amendment and act to approve the budget amendment prior to the expenditure of funds that result in the need for the amendment. In particular, the final budget amendment for the year will be prepared so that there is adequate time for the review and approval process to be completed prior to August 31.

Contact Person:

Emma McCall
Business Manager

Implementation Time Frame:

Ongoing

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Elementary and Secondary School Counseling Program	84.215E	Q215E110356	\$ 260,005
Total Direct Programs			\$ 260,005
<u>Passed Through Region One ESC</u>			
GEAR-UP	84.334	P334A110180-13	\$ 149,503
Total Passed Through Region One ESC			\$ 149,503
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101031912	\$ 236,937
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101031912	5,267,733
ESEA, Title I, Part D Subpart 2 Delinquent Prog.	84.010A	14610103031912	2,972
ESEA, Title I, Part D Subpart 2 Delinquent Prog.	84.010A	15610103031912	188,192
TTL I 1003(A) Priority and Focus School Grant	84.010A	14610112031912109	3,000
TTL I 1003(A) Priority and Focus School Grant	84.010A	15610112031912109	14,187
TTL I 1003(A) Priority and Focus School Grant	84.010A	14610112031912116	3,000
TTL I 1003(A) Priority and Focus School Grant	84.010A	15610112031912116	20,040
Total CFDA Number 84.010A			5,736,061
Total Educational Technology State Grants Cluster			5,736,061
ESEA, Title I, Part C - Migratory Children	84.011	14615001031912	1,613
ESEA, Title I, Part C - Migratory Children	84.011	15615001031912	1,077,780
Total CFDA Number 84.011			1,079,393
*IDEA - Part B, Formula	84.027	146600010319126000	9,112
*IDEA - Part B, Formula	84.027	156600010319126000	1,942,682
Total CFDA Number 84.027			1,951,794
*IDEA - Part B, Preschool	84.173	156610010319126000	19,294
Total Special Education Cluster (IDEA)			1,971,088
Career and Technical - Basic Grant	84.048	15420006031912	217,308
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	146950217110011	1,464,812
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	146950217110011	59,630
Total CFDA Number 84.287			1,524,442
Title III, Part A - English Language Acquisition	84.365A	15671001031912	199,927
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501031912	120
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501031912	338,860
Total CFDA Number 84.367A			338,980
Summer School LEP	84.369A	69551502	6,678
Title I SIP Academy Grant	84.377A	136107047110030	2,760
Title I SIP Academy Grant	84.377A	116107117110013	344,652
Total CFDA Number 84.377A			347,412
Total Passed Through State Department of Education			\$ 11,421,289
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 11,830,797
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 44,570
Total Passed Through Texas Dept of Human Services			\$ 44,570

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2015

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 44,570
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 2,203,420
*National School Lunch Program - Cash Assistance	10.555		5,672,088
*National School Lunch Prog. - Non-Cash Assistance	10.555		514,485
Total CFDA Number 10.555			6,186,573
Total Child Nutrition Cluster			8,389,993
Total Passed Through the State Department of Agriculture			\$ 8,389,993
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 8,389,993
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 20,265,360

*Clustered Programs

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Benito Consolidated Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

NOTE B – PROGRAM REPORTING

ROTC, SHARS, and \$197,675 of indirect cost are accounted for in the general fund. The National School Lunch Program, School Breakfast Program Commodity Supplemental Food Program, and Summer Feeding Program are also accounted for in the general fund. Expenditures are not specifically attributable to these revenues and are shown on this schedule in an amount equal to revenue for balancing purposes only.

Reconciliation

Total expenditures of federal awards, per Exhibit K-1	\$20,265,360
General fund – Federal Revenue	
School Health and Related Services (SHARS)	1,486,286
Payments in lieu of taxes	55,262
JROTC	85,107
Indirect costs earned on federal programs	<u>197,675</u>
Total Federal Revenues, per Exhibit C-3	<u>\$22,089,690</u>