

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

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

FOR THE YEAR ENDED AUGUST 31, 2016

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED AUGUST 31, 2016

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ANNUAL FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED AUGUST 31, 2016**

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INTRODUCTORY SECTION

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

SAN BENITO, TEXAS

YEAR ENDED AUGUST 31, 2016

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

EXECUTIVE DIRECTOR OF FINANCE AND OPERATIONS

Hilda Rendon

CERTIFICATE OF BOARD

San Benito Consolidated Independent School District
Name of School District

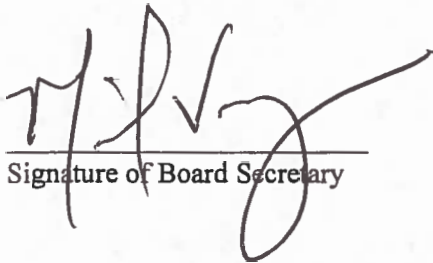
Cameron
County

031-912
Co.-Dist. Number

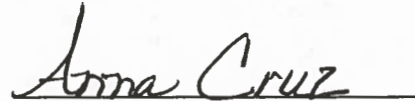
We, the undersigned, do hereby certify that the attached annual financial reports of the above named school district were reviewed and ✓ approved -- ___ disapproved for the year ended August 31, 2016 at a

(Check one)

meeting of the board of school trustees of such school district on the 17 day of January, 2017.



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, 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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, each major fund, and the aggregate remaining fund information of the San Benito Consolidated Independent School District, as of August 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and net pension liability and pension contribution information on pages 15–24 and 74–78 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 *Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, 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 17, 2017, 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.

Carroll, Riggs & Logan, LLC

Harlingen, Texas
January 17, 2017

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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, 2016. 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 \$ 34,749,357 at August 31, 2016.
- During the year, the District's expenses were \$121,817,635. Revenues generated in taxes and other revenues for governmental activities were \$131,949,483.
- The total cost of the District's programs increased \$2,057,980 from last year. The increase resulted primarily from additional instructional expenditures and allocation of pension related expenses associated with GASB 68.
- In June 2016, the District refinanced Bonds Series 2008 that saved our district interest costs.
- The general fund reported a fund balance this year of \$22,262,268 which was a significant increase over the prior year.
- The District received an "A" rating for the Financial Integrity Reporting System of Texas (FIRST) for 2015, earning 72 of 100 points. Effective this school year, the Texas Administrative Code Rule 109.1001 "Financial Accountability Ratings" provides for 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. Net position, is one way to measure the District's financial health or *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. To fully assess the overall health of the District; however, non-financial factors need to be considered as well, such as changes in the District's average daily attendance, its property tax base and the condition of the District's facilities.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (governmental activities). All of the District's services are reported in the government-wide financial statements, including instructional leadership, student support services, general administration, support services and debt services.

New Accounting Standards Adopted

In fiscal year 2016, the District adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- Statement No. 79, *Certain External Investment Pools and Pool Participants*

GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

GASB Statement No. 73 extends the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79 establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

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 utilizes internal service funds for self-funded health insurance and workers compensation insurance. As of the end of the current year, the District closed the inactive print shop internal service fund and the workers compensation insurance fund and transferred the net position of both these funds to the general fund. The net position of the workers compensation fund is reported as committed for self insurance in the general fund balance.

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, 2016, the District's assets and deferred outflows exceeded its liabilities and deferred inflows by \$34,749,357.

Table I
Net Position Summary

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 36,388,775	\$ 25,947,657
Capital assets	103,006,245	109,339,203
Total assets	<u>139,395,020</u>	<u>135,286,860</u>
Deferred outflows	<u>15,778,233</u>	<u>5,565,678</u>
Other liabilities	7,715,001	10,868,624
Long-term liabilities	110,968,245	101,876,581
Total liabilities	<u>118,683,246</u>	<u>112,745,205</u>
Deferred inflows	<u>1,740,650</u>	<u>3,489,824</u>
Net investment in capital assets	21,635,539	20,923,906
Restricted	2,370,376	1,354,808
Unrestricted	10,743,442	2,338,795
Total net position	<u>\$ 34,749,357</u>	<u>\$ 24,617,509</u>

As depicted in Table I, a significant portion of the District's net position, 62%, 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 7% of the net position of the District represents resources that are subject to external restriction on how they may be used. The remaining 31% 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 increased by \$10,131,848 for the year ended August 31, 2016. The total revenues from taxpayers, user service, grants and other sources for the District was \$131,949,483, an increase over fiscal year 2015 of \$8,312,527. The revenue increase is due to several factors. The state allotment per student increased which when factored in with the other elements that generate state foundation funding resulted in an increase of \$4,708,764 over the prior year. The district also recognized as revenue \$1,214,451 of prior year e-rate funding which had been deferred. The other large component of the increase is related to the pension adjustments which reverse the fund level TRS on behalf accrual and then record the state's total proportional share of the collective pension expense. The net impact of these two adjustments was an increase in revenue of \$2,394,254 at the government wide financial statement level only. Total expenses for the 2016 fiscal year were \$121,817,635 or \$2,057,980 more than the expenses for fiscal year 2015.

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

Table II
Changes in Net Position

	<u>2016</u>	<u>2015</u>
Program Revenues:		
Charges for services	\$ 557,755	\$ 636,429
Operating grants and contributions	27,604,348	25,341,970
General revenues:		
Property taxes	11,439,819	11,354,273
State and other grants	91,815,975	85,902,983
Investment earnings	79,065	29,039
Miscellaneous local intermediate	<u>452,521</u>	<u>324,263</u>
Total revenues	131,949,483	123,588,957
Program Expenses:		
Instruction	63,579,286	59,322,070
Instructional resources and media services	1,427,897	1,718,419
Curriculum and instructional staff development	2,082,453	2,526,850
Instructional leadership	3,728,230	3,930,224
School leadership	5,868,502	6,031,112
Guidance, counseling and evaluation services	3,528,602	3,904,438
Social services	409,749	587,792
Health services	1,009,704	950,291
Student (pupil) transportation	3,662,568	4,034,672
Food services	9,291,212	8,295,497
Co-curricular/extracurricular activities	3,067,590	3,260,432
General administration	3,929,093	3,880,073
Plant maintenance and operations	13,460,532	14,325,259
Security and monitoring services	2,223,422	2,364,385
Data processing services	601,063	187,608
Community services	482,713	446,080
Debt service	3,327,482	3,867,103
Other governmental charges	<u>137,537</u>	<u>127,350</u>
Total expenses	121,817,635	119,759,655
Increase (decrease) in net position	10,131,848	3,829,302
Beginning net position	<u>24,617,509</u>	<u>20,788,207</u>
Ending net position	<u>\$ 34,749,357</u>	<u>\$ 24,617,509</u>

The District's total revenues were \$131,949,483. A significant portion, 90.5%, of the District's revenue comes from state aid – formula grants and operating grants compared to 8.7% from local taxes.

The Net Position of the District increased by \$10,131,848 for the year ended August 31, 2016, which was directly attributable to the increase in revenues since expenses also increase but by a much smaller amount.

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 \$121,817,635; 80% 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 \$121,817,635.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$11,439,819.
- The cost that was paid by those who directly benefited from the programs was \$557,755.
- The amount paid by operating grants and contributions was \$27,604,348.

Table III
Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$63,579,286	\$59,322,070	\$51,474,337	\$49,584,866
School leadership	5,868,502	6,031,112	5,476,594	5,621,892
Food services	9,291,212	8,295,497	(478,744)	(494,655)
Facilities maintenance and operations	13,460,532	14,325,259	13,090,860	13,933,357

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, 2016, the District's governmental funds reported a combined ending fund balance of \$22,587,084, an increase of \$14,108,853 from last year. Of the total fund balance, \$17,937,163 or approximately 79 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	\$ 477,196
Prepayments	140,793
Restricted	
Grant funds	2,069,862
Committed	
Construction	324,816
Self Insurance	1,113,528
Assigned	
State mandated program – Career and Technology	523,726
Unassigned	
Unassigned	<u>17,937,163</u>
	<u>\$22,587,084</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested \$215,162,535 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>2016</u>	<u>2015</u>
Land	\$ 8,018	\$ 8,018
Buildings and improvements	185,875	185,338
Furniture and equipment	<u>21,269</u>	<u>20,012</u>
Total assets at historical cost	215,162	213,368
Accumulated depreciation	<u>(112,156)</u>	<u>(97,288)</u>
Net capital assets	<u>\$103,006</u>	<u>\$116,080</u>

Long-term Debt

At year-end, the District had \$110,968,245 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 "A" ratings assigned by Standard & Poors Ratings.

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

Table VI
Long-term Debt

	<u>Governmental Activities</u>	
	(In thousands of dollars)	
	<u>2016</u>	<u>2015</u>
Bonds payable	\$ 76,850	\$ 82,745
Premiums	8,090	5,199
Accrued interest on CABs	1,218	1,480
Compensated absences	1,419	1,045
Net pension liability	<u>23,391</u>	<u>11,408</u>
Totals	<u>\$110,968</u>	<u>\$101,877</u>

Net Pension Liability

The adoption of Statement No. 68 last school year 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 increase in the District's net pension liability (NPL) to \$23,390,674 at August 31, 2016 from \$11,408,272 at August 31, 2015 was the result of a significant number of changes in the actuarial assumptions that affected the measurement of the total pension liability which are detailed in the notes to the financial statements. There were also significant changes in both the deferred outflow related to TRS and the deferred inflow related to TRS which are detailed in the same note disclosure.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised property value used for the 2017 budget preparation was \$1,369,735,577 which is a 4.67% increase over last year's value.
- A property study was conducted that will generate additional funding from state revenues.
- General operating fund for 2017 will retain the current fund balance while improving academic and facilities services.
- The District's 2016 refined average daily attendance is expected to be 9840 which is a decrease of 2.05% from last year.

These indicators were taken into account when adopting the general fund budget for 2017. The district adopted a balanced budget for 2016-2017 which included anticipated savings in electricity expenses in the amount of \$825,000 annually for the next 5 years as well as debt service savings of \$269,000 annually for the next 22 years as a result of the refinancing of the 2008 bonds with the 2016 refunding bonds.

The District will continue to utilize staffing formulas which were implemented in the current school year. The reduction in staffing for the 2016-17 school year as a result of the utilization of these formulas was approximately 71 staff members all through attrition. The District's many changes to the self-funded health insurance plan have been successful in containing costs and the plan will be continued.

The District committed to evaluate financial, operational, and curriculum programs in the 2015-2016 school year. Re-Imagine 2021, a 5-year Strategic Plan, was approved by the board in July 2016 that will guide the district forward for the next 5 years. An Efficiency Audit was conducted by Texas Association of School Business Officials and was approved in June 2016 to strengthen the Financial and Operations functions of SBCISD. Also a Curriculum Audit was conducted by Texas Association of School Administrators and approved in July 2016. The recommendations from the Curriculum Audit are being implemented to improve the curriculum and student success. During the 2016-2017 school year, the Texas Association of School Boards will conduct a salary compensation study to evaluate employee pay equity and salary comparisons in our market.

The bond rating of the District has been upgraded from BBB+ to an A and it is expected to improve further due to our improved financial position.

Based on the above information, the district is expected to maintain the current fund balance while making the necessary adjustments to strengthen the school district academically as well as financially.

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 26,016,851
1220 Property Taxes Receivable (Delinquent)	2,683,968
1230 Allowance for Uncollectible Taxes	(268,397)
1240 Due from Other Governments	6,951,411
1267 Due from Fiduciary Funds	385,542
1290 Other Receivables, net	726
1300 Inventories	477,196
1410 Prepayments	140,793
1490 Other Current Assets	685
Capital Assets:	
1510 Land	8,018,198
1520 Buildings, Net	90,948,183
1530 Furniture and Equipment, Net	4,039,864
1000 Total Assets	139,395,020
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	4,534,531
1705 Deferred Outflow Related to TRS	11,243,702
1700 Total Deferred Outflows of Resources	15,778,233
LIABILITIES	
2110 Accounts Payable	2,179,840
2140 Interest Payable	218,099
2150 Payroll Deductions & Withholdings	653,952
2160 Accrued Wages Payable	3,598,812
2177 Due to Fiduciary Funds	16,855
2180 Due to Other Governments	1,045,859
2300 Unearned Revenue	1,584
Noncurrent Liabilities	
2501 Due Within One Year	3,975,000
2502 Due in More Than One Year	83,602,571
2540 Net Pension Liability (District's Share)	23,390,674
2000 Total Liabilities	118,683,246
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	1,740,650
2600 Total Deferred Inflows of Resources	1,740,650
NET POSITION	
3200 Net Investment in Capital Assets	21,635,539
3820 Restricted for Federal and State Programs	2,370,376
3900 Unrestricted	10,743,442
3000 Total Net Position	\$ 34,749,357

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, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 63,579,286	\$ 57,052	\$ 12,047,897	\$ (51,474,337)
12 Instructional Resources and Media Services	1,427,897	-	97,707	(1,330,190)
13 Curriculum and Staff Development	2,082,453	-	1,300,346	(782,107)
21 Instructional Leadership	3,728,230	-	1,721,883	(2,006,347)
23 School Leadership	5,868,502	-	391,908	(5,476,594)
31 Guidance, Counseling and Evaluation Services	3,528,602	-	929,522	(2,599,080)
32 Social Work Services	409,749	-	175,269	(234,480)
33 Health Services	1,009,704	-	127,439	(882,265)
34 Student (Pupil) Transportation	3,662,568	-	148,618	(3,513,950)
35 Food Services	9,291,212	312,450	9,457,506	478,744
36 Extracurricular Activities	3,067,590	134,153	164,312	(2,769,125)
41 General Administration	3,929,093	12,513	174,231	(3,742,349)
51 Facilities Maintenance and Operations	13,460,532	41,587	328,085	(13,090,860)
52 Security and Monitoring Services	2,223,422	-	145,513	(2,077,909)
53 Data Processing Services	601,063	-	14,482	(586,581)
61 Community Services	482,713	-	377,334	(105,379)
72 Debt Service - Interest on Long Term Debt	2,958,355	-	-	(2,958,355)
73 Debt Service - Bond Issuance Cost and Fees	369,127	-	-	(369,127)
93 Payments related to Shared Services Arrangements	2,296	-	2,296	-
99 Other Intergovernmental Charges	135,241	-	-	(135,241)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 121,817,635	\$ 557,755	\$ 27,604,348	(93,655,532)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	10,257,787
DT	Property Taxes, Levied for Debt Service	1,182,032
SF	State Aid - Formula Grants	84,094,713
GC	Grants and Contributions not Restricted	7,721,262
IE	Investment Earnings	79,065
MI	Miscellaneous Local and Intermediate Revenue	452,521
TR	Total General Revenues	103,787,380
CN	Change in Net Position	10,131,848
NB	Net Position - Beginning	24,617,509
NE	Net Position--Ending	\$ 34,749,357

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 20,746,473	\$ 1,050,397	\$ 119,252	\$ 21,916,122
1220 Property Taxes - Delinquent	2,367,602	316,366	-	2,683,968
1230 Allowance for Uncollectible Taxes (Credit)	(236,760)	(31,637)	-	(268,397)
1240 Receivables from Other Governments	5,574,635	36,865	1,339,911	6,951,411
1260 Due from Other Funds	1,960,311	28,129	16,740	2,005,180
1290 Other Receivables	726	-	-	726
1300 Inventories	477,196	-	-	477,196
1410 Prepayments	140,793	-	-	140,793
1490 Other Current Assets	685	-	-	685
1000 Total Assets	<u>\$ 31,031,661</u>	<u>\$ 1,400,120</u>	<u>\$ 1,475,903</u>	<u>\$ 33,907,684</u>
LIABILITIES				
2110 Accounts Payable	\$ 1,233,470	\$ -	\$ 61,195	\$ 1,294,665
2150 Payroll Deductions and Withholdings Payable	653,952	-	-	653,952
2160 Accrued Wages Payable	3,348,999	-	249,813	3,598,812
2170 Due to Other Funds	1,402,130	69,532	838,495	2,310,157
2180 Due to Other Governments	-	1,045,859	-	1,045,859
2300 Unearned Revenues	-	-	1,584	1,584
2000 Total Liabilities	<u>6,638,551</u>	<u>1,115,391</u>	<u>1,151,087</u>	<u>8,905,029</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	2,130,842	284,729	-	2,415,571
2600 Total Deferred Inflows of Resources	<u>2,130,842</u>	<u>284,729</u>	<u>-</u>	<u>2,415,571</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	477,196	-	-	477,196
3430 Prepaid Items	140,793	-	-	140,793
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	2,069,862	-	-	2,069,862
Committed Fund Balance:				
3510 Construction	-	-	324,816	324,816
3540 Self Insurance	1,113,528	-	-	1,113,528
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	523,726	-	-	523,726
3600 Unassigned Fund Balance	17,937,163	-	-	17,937,163
3000 Total Fund Balances	<u>22,262,268</u>	<u>-</u>	<u>324,816</u>	<u>22,587,084</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 31,031,661</u>	<u>\$ 1,400,120</u>	<u>\$ 1,475,903</u>	<u>\$ 33,907,684</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, 2016

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 22,587,084
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, 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.	3,889,218
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 \$215,162,535 and the accumulated depreciation was \$112,156,290. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	103,006,245
3 Long term liabilities, including bonds payable \$76,850,000 and interest accretion on CAB bonds \$1,218,055 are not due and payable in the current period and therefore are not reported in the funds.	(78,068,055)
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 \$23,390,674, a Deferred Resource Inflow related to TRS in the amount of \$1,740,650 and a Deferred Resource Outflow related to TRS in the amount of \$11,243,702. This amounted to a decrease in Net Position in the amount of \$13,887,622.	(13,887,622)
5 Payable for compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(1,418,850)
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.	2,415,571
7 Premiums and discounts resulting from the issuance of bonds are capitalized, net of amortization, on the government wide statements.	(8,090,666)
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.	4,534,531
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.	(218,099)
19 Net Position of Governmental Activities	\$ 34,749,357

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, 2016

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	\$ 11,234,957	\$ 1,233,854	\$ 1,493	\$ 12,470,304
5800 State Program Revenues	88,395,668	4,622,350	649,995	93,668,013
5900 Federal Program Revenues	11,935,206	-	11,422,850	23,358,056
5020 Total Revenues	111,565,831	5,856,204	12,074,338	129,496,373
EXPENDITURES:				
Current:				
0011 Instruction	49,383,417	-	8,145,348	57,528,765
0012 Instructional Resources and Media Services	1,304,423	-	25,336	1,329,759
0013 Curriculum and Instructional Staff Development	656,194	-	1,164,343	1,820,537
0021 Instructional Leadership	1,790,471	-	1,376,594	3,167,065
0023 School Leadership	5,362,437	-	47,909	5,410,346
0031 Guidance, Counseling and Evaluation Services	2,460,628	-	665,594	3,126,222
0032 Social Work Services	222,808	-	149,575	372,383
0033 Health Services	864,123	-	71,067	935,190
0034 Student (Pupil) Transportation	3,342,216	-	-	3,342,216
0035 Food Services	8,193,095	-	-	8,193,095
0036 Extracurricular Activities	2,846,333	-	28,153	2,874,486
0041 General Administration	3,633,847	-	-	3,633,847
0051 Facilities Maintenance and Operations	13,007,644	-	21,751	13,029,395
0052 Security and Monitoring Services	2,064,881	-	52,054	2,116,935
0053 Data Processing Services	825,027	-	-	825,027
0061 Community Services	67,299	-	322,825	390,124
Debt Service:				
0071 Principal on Long Term Debt	220,000	4,440,000	-	4,660,000
0072 Interest on Long Term Debt	54,516	3,654,619	-	3,709,135
0073 Bond Issuance Cost and Fees	3,250	365,877	-	369,127
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	2,296	2,296
0099 Other Intergovernmental Charges	135,241	-	-	135,241
6030 Total Expenditures	96,437,850	8,460,496	12,072,845	116,971,191
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	15,127,981	(2,604,292)	1,493	12,525,182
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	30,580,000	-	30,580,000
7915 Transfers In	1,114,760	2,238,500	-	3,353,260
7916 Premium or Discount on Issuance of Bonds	-	4,072,644	-	4,072,644
7949 Other Resources	103,119	-	-	103,119
8911 Transfers Out (Use)	(2,238,500)	-	-	(2,238,500)
8949 Other (Uses)	-	(34,286,852)	-	(34,286,852)
7080 Total Other Financing Sources (Uses)	(1,020,621)	2,604,292	-	1,583,671
1200 Net Change in Fund Balances	14,107,360	-	1,493	14,108,853
0100 Fund Balance - September 1 (Beginning)	8,154,908	-	323,323	8,478,231
3000 Fund Balance - August 31 (Ending)	\$ 22,262,268	\$ -	\$ 324,816	\$ 22,587,084

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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ 14,108,853
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.	403,682
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets \$2,084,296, is allocated over their useful lives as depreciation expense which totaled \$7,374,795 for the year. Also in the current year, assets with a net value of \$311 were removed from the depreciation schedule.	(5,290,499)
Repayment of bond and note principal is an expenditure in the funds but is not an expense in the statement of activities.	4,660,000
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 2016 in the amount of \$30,580,000 which sold at a premium of \$4,072,644.	(34,652,644)
The payment to the fiscal agent used current financial resources in the governmental funds but in the statement of activities new debt replaced existing debt.	34,286,852
Because some property taxes will not be collected for several months after the district's year end, they are not considered "available" revenues in the governmental funds.	(43,952)
Governmental funds report 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 when paid but in the statement of activities it is recognized as it accrues. This is the net impact of the amortization of premiums, discounts, deferred loss on refunding and the change in accrued interest.	(1,099,043)
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.	(374,138)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/15 caused the change in the ending net position to increase in the amount of \$1,972,566. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in the change in net position totaling \$1,959,754. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$1,880,075. The net result is a decrease to net position by (\$1,867,263).	(1,867,263)
Change in Net Position of Governmental Activities	\$ 10,131,848

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, 2016

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,100,729
Due from Other Funds	673,664
Total Assets	4,774,393
LIABILITIES	
Current Liabilities:	
Accounts Payable	885,175
Total Liabilities	885,175
NET POSITION	
Restricted for Other Purposes	3,889,218
Total Net Position	\$ 3,889,218

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, 2016

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 8,222,738
Total Operating Revenues	<u>8,222,738</u>
OPERATING EXPENSES:	
Professional and Contracted Services	7,293,682
Supplies and Materials	5,282
Other Operating Costs	460,523
Total Operating Expenses	<u>7,759,487</u>
Operating Income	<u>463,251</u>
NONOPERATING REVENUES (EXPENSES):	
Other Non-Operating Revenues	<u>247,827</u>
Total Nonoperating Revenues (Expenses)	<u>247,827</u>
Income Before Transfers	711,078
Transfers Out	<u>(1,114,760)</u>
Change in Net Position	(403,682)
Total Net Position - September 1 (Beginning)	<u>4,292,900</u>
Total Net Position - August 31 (Ending)	<u>\$ 3,889,218</u>

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, 2016

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 7,583,166
Cash Payments for Insurance Claims	(7,293,682)
Cash Payments for Suppliers	(1,034,694)
Net Cash Used for Operating Activities	(745,210)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(1,114,760)
Net Decrease in Cash and Cash Equivalents	(1,859,970)
Cash and Cash Equivalents at Beginning of Year	5,960,699
Cash and Cash Equivalents at End of Year	\$ 4,100,729
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 463,251
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due from Other Funds	(639,572)
Increase (decrease) in Accounts Payable	(568,889)
Net Cash Used for Operating Activities	\$ (745,210)
<u>Noncash Investing, Capital and Financing Activities:</u>	
W/C liability eliminated with fund closure	247,827

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, 2016

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 10,502	\$ 877,395
Due from Other Funds	-	16,855
Total Assets	<u>10,502</u>	<u>\$ 894,250</u>
LIABILITIES		
Accounts Payable	-	\$ 61,821
Due to Other Funds	-	385,542
Due to Student Groups	-	446,887
Unearned Revenues	10,502	-
Total Liabilities	<u>10,502</u>	<u>\$ 894,250</u>

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

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NOTES TO FINANCIAL STATEMENTS

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SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

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, 2016

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, 2016

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 continues to report its health insurance plan in an internal service fund. As of the end of the current school year, the print shop and the workers compensation internal service funds were closed and their respective net position was transferred out to the general fund.

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, 2016

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 the current fiscal year, the District implemented the following new standards. The applicable provisions of these new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- Statement No. 79, *Certain External Investment Pools and Pool Participants*

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, clarifies the application of certain provisions of Statement No. 68 with regard to information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures include information about any limitations or restrictions on participant withdrawals.

4. Budgets

The official school budget was prepared for adoption for required Governmental Fund types by August 31, 2015. 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.

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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2016. The prepaid expenses included are for unexpired insurance policy premiums paid by August 31, 2016, and which extend beyond that date as well as a prepayment of Cameron County Appraisal District for the first quarter of 2016-2017. The reported prepaid expenses are 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
Furniture and equipment	3 – 15

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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. *Fair Value Measurements*

Statement No. 72 requires the District to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

There are three general valuation techniques that may be used to measure fair value. The market approach uses prices generated by market transactions involving identical or comparable assets or liabilities. The cost approach uses the amount that currently would be required to replace the service capacity of an asset (replacement cost). The income approach uses valuation techniques to convert future amounts to present amounts based on current market expectations.

13. *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.

14. *Compensated Absences*

The District's policy allows employees to be reimbursed for up to 30 days of accumulated 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.

15. *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, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

16. *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.

17. *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, 2016

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

18. *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.

19. *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 District also reports deferred outflow of resources related to employee TRS pension.

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 related to employee TRS pension.

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, 2016

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.

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.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

NOTE C – DEPOSITS AND INVESTMENTS - Continued

Cash Deposits

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,986,130, including fiduciary funds and the bank balance was \$5,377,002. In addition to these cash and cash equivalents, the District maintains \$22,918,618 in government investment pools. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name except for the period September 25 through 28, 2015.

The District's cash deposits at August 31, 2016 are maintained primarily at Frost National Bank, Harlingen, Texas. These deposits were 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 except for the four days in September 2015 noted above.

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 \$31,623,126.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$21,556,689 and occurred during the month of November 2015.
- 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, 2016

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>Temporary Investment</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Percentage</u>
Texas CLASS	AAAm	\$ 5,470,002	24%
Lone Star	AAA	<u>17,448,616</u>	76%
		<u>\$22,918,618</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.

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. Texas CLASS participant's investments in the pool are evidenced by shares of the pool. The District's investment is with the pool, not the securities that make up the pool.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

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 amortized cost. 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. All of the investment pools that the District is invested in qualify as 2a7-like pools which have met the criteria established under GASB Statement No. 79 to report their value at amortized cost. Additionally, all of the investment pools strive to maintain a \$1 per share net asset value.

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 2016 tax rate was \$1.17 for maintenance and \$.1349 for debt service per \$100 assessed valuation. The 2015 assessed valuation was \$894,030,028. 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, 2016 outstanding taxes in the general fund and debt service fund was \$2,367,602 and \$316,366 with a corresponding allowance for doubtful accounts of \$236,760 and \$31,637.

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	\$5,213,295	\$ -
National School Lunch and Breakfast Programs	360,696	-
Other government agencies		
Headstart	<u>644</u>	<u>-</u>
	5,574,635	-
<i>Debt Service Fund:</i>		
Texas Education Agency:		
EDA funding	36,865	-
IFA funding	-	1,045,859

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

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	\$ 623,411	\$ -
ESEA, Title I, Part C	120,381	-
IDEA, Part B, Formula	192,508	-
IDEA, Part B, Preschool	1,962	-
ESEA, Title II, Part A, Teacher/Principal Training	181,766	-
Title III, Part A, English Language Acquisition	9,720	-
Title IV, Part B, 21 st Century Community Learning Center	66,042	-
Career and Technical – Basic Grant	10,171	-
Summer School LEP	4,660	-
Instructional materials allotment	13,834	-
Pre-Kindergarten Grant	52,232	-
Region One ESC:		
GEAR-UP	<u>63,224</u>	<u>-</u>
	<u>1,339,911</u>	<u>-</u>
 Total	 <u>\$6,951,411</u>	 <u>\$1,045,859</u>

NOTE F – DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2016, 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	\$2,130,842	\$5,574,635	\$1,960,311	\$ 726	\$ 9,666,514
Debt Service Fund	284,729	36,865	28,129	-	349,723
Other Funds	<u>-</u>	<u>1,339,911</u>	<u>16,740</u>	<u>-</u>	<u>1,356,651</u>
Total Governmental Activities	<u>\$2,415,571</u>	<u>\$6,951,411</u>	<u>\$2,005,180</u>	<u>\$ 726</u>	<u>\$11,372,888</u>

Payables at August 31, 2016, 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	\$1,233,470	\$4,002,951	\$1,402,130	\$ -	\$6,638,551
Debt Service Fund	-	-	69,532	1,045,859	1,115,391
Other Funds	<u>61,195</u>	<u>249,813</u>	<u>838,495</u>	<u>-</u>	<u>1,149,503</u>
Total Governmental Activities	<u>\$1,294,665</u>	<u>\$4,252,764</u>	<u>\$2,310,157</u>	<u>\$1,045,859</u>	<u>\$8,903,445</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

NOTE G – CAPITAL ASSETS

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

	General Capital Assets <u>Sept. 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	General Capital Assets <u>Aug. 31, 2016</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	185,585,362	289,872	-	185,875,234
Furniture and equipment	11,898,182	573,089	(7,406)	12,463,865
Vehicles	<u>8,626,051</u>	<u>179,187</u>	<u>-</u>	<u>8,805,238</u>
Total capital assets being depreciated	206,109,595	1,042,148	(7,406)	207,144,337
Less accumulated depreciation:				
Building and improvements	88,488,956	6,438,095	-	94,927,051
Furniture and equipment	9,496,789	574,630	(7,095)	10,064,324
Vehicles	<u>6,802,845</u>	<u>362,070</u>	<u>-</u>	<u>7,164,915</u>
Total accumulated depreciation	<u>104,788,590</u>	<u>7,374,795</u>	<u>(7,095)</u>	<u>112,156,290</u>
Total capital assets being depreciated, net	<u>101,321,005</u>	<u>(6,332,647)</u>	<u>(311)</u>	<u>94,988,047</u>
Governmental activities capital assets, net	<u>\$109,339,203</u>	<u>\$ (6,332,647)</u>	<u>\$ (311)</u>	<u>\$103,006,245</u>

Depreciation was charged to the following functions:

Governmental Activities:

11 – Instruction	\$3,851,276
12 – Instructional resources and media services	89,021
13 – Curriculum and instructional staff development	121,876
21 – Instructional Leadership	212,020
23 – School Leadership	362,197
31 – Guidance, counseling and evaluation services	209,286
32 – Social work services	24,929
33 – Health services	62,606
34 – Student (pupil) transportation	362,070
35 – Food services	548,489
36 – Cocurricular/extracurricular activities	192,433
41 – General administration	243,269
51 – Plant maintenance and operations	872,256
52 – Security and monitoring services	141,719
53 – Data processing services	55,231
61 – Community services	<u>26,117</u>
	<u>\$7,374,795</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

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, 2016 are as follows:

<u>Governmental Activities</u>	<u>Beginning Balance Sept. 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance Aug. 31, 2016</u>	<u>Due Within One Year</u>
Bonds payable					
General Obligation Bonds:					
Unlimited Tax School Building Bonds – Series 2008	\$ 32,655,000	\$ -	\$32,655,000	\$ -	\$ -
Unlimited Tax School Building Bonds – Series 2010	3,505,000	-	-	3,505,000	-
Unlimited Tax School Building CAB Bonds – Series 2010	5,000	-	5,000	-	-
Unlimited Tax School Refunding Bonds, Series 2011	7,585,000	-	100,000	7,485,000	105,000
Unlimited Tax School Refunding CAB Bonds, Series 2011	440,000	-	-	440,000	-
Unlimited Tax School Refunding Bonds, Series 2012	19,530,000	-	-	19,530,000	-
Unlimited Tax School Refunding CAB Bonds, Series 2012	265,000	-	165,000	100,000	100,000
Unlimited Tax School Refunding Bonds, Series 2014	15,695,000	-	2,745,000	12,950,000	1,680,000
Unlimited Tax School Refunding Bonds, Series 2016	-	30,580,000	585,000	29,995,000	810,000
Lease Revenues Bonds –Series 2006	<u>3,065,000</u>	<u>-</u>	<u>220,000</u>	<u>2,845,000</u>	<u>230,000</u>
Total bonds payable	82,745,000	30,580,000	36,475,000	76,850,000	2,925,000
Accrued interest unlimited tax school building and refunding CAB Bonds	1,479,641	708,414	970,000	1,218,055	1,000,000
Premium/discount on issuance of bonds	<u>5,198,956</u>	<u>4,072,644</u>	<u>1,180,934</u>	<u>8,090,666</u>	<u>-</u>
Subtotal on bonds	89,423,597	35,361,058	38,625,934	86,158,721	3,925,000
Compensated absences	1,044,712	422,288	48,150	1,418,850	50,000
Net pension liability	<u>11,408,272</u>	<u>13,941,762</u>	<u>1,959,360</u>	<u>23,390,674</u>	<u>-</u>
Total governmental activities	<u>\$101,876,581</u>	<u>\$49,725,108</u>	<u>\$40,633,444</u>	<u>\$110,968,245</u>	<u>\$3,975,000</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

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, 2016 are comprised of the following individual issues:

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. \$ 3,505,000

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. 7,925,000

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. 19,630,000

During November 2014, the District issued \$15,790,000 Unlimited Tax Refunding Bonds, Series 2014, after they were 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. 12,950,000

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

NOTE H - LONG-TERM OBLIGATIONS – Continued

During June 2016, the District issued \$30,580,000 Unlimited Tax Refunding Bonds, Series 2016. The bonds are current interest bonds with interest rates ranging from 2% to 5% on installments ranging from \$585,000 to \$2,045,000 maturing in 2038. The proceeds were used to refund the 2008 School Building bonds.

\$29,995,000

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.

2,845,000

\$76,850,000

Advance Refunding

In June 2016, the Board approved and issued \$30,580,000 in Unlimited Tax Refunding Bonds, Series 2016 for the purpose of refunding the District's outstanding bonds Series 2008 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 \$4,072,644. The cost of issuance totaled \$363,128.

The advance refunding was undertaken to reduce total debt service payments over the next 22 years by \$5,938,638 to obtain an economic gain (difference between the present value of the debt service payment of the refunded and refunding bonds) of \$4,564,007.

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, 2016, the following outstanding bonds are considered defeased:

<u>Series</u>	<u>Ending Balance</u>
2000	\$12,870,000
2004	27,870,000
2005	14,400,000
2008	31,795,000

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

NOTE H - LONG-TERM OBLIGATIONS - Continued

Debt service requirements on long-term debt at August 31, 2016 are as follows:

Year Ending August 31,	General Obligation Bonds		Lease Revenue Bonds		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 3,900,000	\$ 3,912,181	\$ 230,000	\$ 33,469	\$ 4,130,000	\$ 3,945,650
2018	4,370,000	3,437,406	240,000	30,588	4,610,000	3,467,994
2019	3,375,000	2,620,619	250,000	27,584	3,625,000	2,648,203
2020	3,550,000	2,483,232	265,000	24,428	3,815,000	2,507,660
2021	3,705,000	2,324,494	275,000	21,117	3,980,000	2,345,611
2022-2026	19,595,000	8,906,144	1,585,000	50,234	21,180,000	8,956,378
2027-2031	16,340,000	5,205,109	-	-	16,340,000	5,205,109
2032-2036	15,140,000	1,950,113	-	-	15,140,000	1,950,113
2037-2039	<u>4,030,000</u>	<u>131,725</u>	<u>-</u>	<u>-</u>	<u>4,030,000</u>	<u>131,725</u>
Total	<u>\$74,005,000</u>	<u>\$30,971,023</u>	<u>\$2,845,000</u>	<u>\$ 187,420</u>	<u>\$76,850,000</u>	<u>\$31,158,443</u>

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, 2016.

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, 2016

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	\$10,295,065	\$1,188,706	\$ -	\$11,483,771	\$ -
Food sales	312,450	-	-	312,450	-
Investment income	68,643	8,930	1,493	79,066	20,969
Penalties and interest	298,792	36,218	-	335,010	-
Co-curricular student activities	134,153	-	-	134,153	-
Interfund services	-	-	-	-	5,794,577
Other	125,854	-	-	125,854	2,407,192
	<u>\$11,234,957</u>	<u>\$1,233,854</u>	<u>\$ 1,493</u>	<u>\$12,470,304</u>	<u>\$ 8,222,738</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	\$11,243,702	\$ -	\$ -
Deferred charge on refunding	4,534,531	-	-
Total deferred outflows of resources	<u>\$15,778,233</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred inflows of resources:			
Deferred inflows from pension activities	\$ 1,740,650	\$ -	\$ -
Unavailable property taxes	-	2,130,842	284,729
Total deferred inflows of resources	<u>\$ 1,740,650</u>	<u>\$2,130,842</u>	<u>\$ 284,729</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, 2016, the various components of unearned revenue reported in the governmental funds were as follows:

	Amount
State and private grants	\$1,584

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

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, 2016 (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, 2016 were:

<u>Due from</u>	<u>Due to</u>	
Other funds within the general fund	General fund	\$ 711,726
Debt Service	General fund	69,532
Non-major funds	General fund	838,495
Agency funds	General fund	340,558
Agency funds	Debt service fund	28,129
General fund	Non-major funds	<u>16,740</u>
Due from other funds		2,005,180
Reconcilement to due to other funds:		
Internal Service Fund	General fund	673,664
Agency funds	General fund	(357,413)
Agency funds	Debt service fund	(28,129)
Agency funds	General fund	<u>16,855</u>
Due to other funds		<u>\$2,310,157</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	<u>\$2,238,500</u>
Transfers out		2,238,500
Internal service funds	General fund	<u>1,114,760</u>
Transfers out		<u>\$3,353,260</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

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, 2016, from various federal sources as follows:

<u>Programs or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
School Breakfast Program	10.553	\$ 2,277,098
National School Lunch Program	10.555	5,789,656
USDA – Donated Commodities	10.565	558,328
Fresh Fruit and Vegetable Program	10.582	225,854
Indirect costs:		
ESEA Title I, Part A, Improving Basic Programs	84.010A	99,811
ESEA Title I, Part D, Subpart D Delinquent Programs	84.010A	4,932
TTL I 1003(A) Priority and Focus School Grants	84.010A	3,825
ESEA Title I, Part C, Migrant	84.011	19,908
IDEA, Part B, Formula	84.027	28,032
Title IV, Part B, 21 st Century Community Learning Center	84.287	29,823
Title III, Part A, LEP	84.365A	3,766
ESEA II, A Training and Recruiting	84.367A	11,016
Payments in lieu of taxes	-	36,155
E-Rate	-	1,214,451
SHARS	-	1,500,790
Medicaid administrative claim	-	56,372
JROTC	-	<u>75,389</u>
		<u>\$11,935,206</u>

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

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>
None noted	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, 2016 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, 2016

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, 2016

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. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
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	\$1,972,566
Member Contributions	\$4,720,409
Nonemployer contributing agency (state) Contributions	\$3,389,497

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

In addition to the employer contributions listed above, there are two additional changes an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the State contribution rate for certain instructional as administrative employees; and 100% of the State rate for certain instructional as administrative employees; and 100% of the State contribution rate for all other employees.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

NOTE Q – DEFINED BENEFIT PENSION PLAN - Continued

Actuarial Assumptions

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2016

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%	4.6%	1.0%
Non-U. S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	-	-	2.2%
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, 2016

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 2015 Net Pension Liability.

	1% Decrease In Discount <u>Rate (7.0%)</u>	Discount <u>Rate (8.0%)</u>	1% Increase in Discount <u>Rate (9.0%)</u>
District's proportionate share of the net pension liability	\$36,648,777	\$23,390,674	\$12,347,498

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

At August 31, 2015, the District reported a liability of \$23,390,674 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	\$23,390,674
State's proportionate share that is associated with the District	<u>40,451,517</u>
Total	<u>\$63,842,191</u>

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

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0661713% which was an increase of 0.234619% from its proportion measured as of August 31, 2014.

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

Economic Assumptions

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

NOTE Q – DEFINED BENEFIT PENSION PLAN – Continued

Mortality Assumptions

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

Other Demographic Assumptions

- Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

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

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

NOTE Q – DEFINED BENEFIT PENSION PLAN – Continued

For the year ended August 31, 2016, the District recognized pension expense of \$5,763,690 and revenue of \$5,763,690 for support provided by the State.

At August 31, 2016, 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	\$ 146,733	\$ 898,925
Changes in actuarial assumptions	616,723	834,477
Difference between projected and actual investment earnings	3,145,477	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>5,362,203</u>	<u>7,248</u>
Total net amounts per August 31, 2015 measurement date	9,271,136	1,740,650
Contributions paid to TRS subsequent to the measurement date	<u>1,972,566</u>	<u>-</u>
Total	<u>\$11,243,702</u>	<u>\$1,740,650</u>

The \$1,972,566 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, 2017. 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>Years Ended August 31:</u>	<u>Pension Expense Amount</u>
2017	\$1,336,408
2018	1,336,408
2019	1,336,408
2020	2,208,115
2021	758,815
Thereafter	554,330

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

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 2016–2014.

Contribution Rates and Contribution Amounts							
Fiscal Year	Member		State on-behalf		District		Covered Payroll
	Rate	Amount	Rate	Amount	Rate	Amount	
2016	6.5%	\$426,150	1%	\$655,612	0.55%	\$360,590	\$65,561,152
2015	6.5%	422,632	1%	650,166	0.55%	357,609	65,016,551
2014	6.5%	427,909	1%	658,318	0.55%	367,504	65,831,754

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 2016-2014.

Fiscal Year	Medicare Part D
2016	\$260,699
2015	289,897
2014	198,505

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, 2016

NOTE S - 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 2016, 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, 2016.

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,	
	2016	2015
Unpaid claims, beginning of year	\$ 1,443,585	\$ 4,396,414
Incurred claims (including IBNR's)	4,656,859	7,913,335
Claim payments	<u>(5,215,269)</u>	<u>(10,866,164)</u>
Unpaid claims, end of fiscal year	<u>\$ 885,175</u>	<u>\$ 1,443,585</u>

As a result of the significant increase in health claims for the 2013-2014 school 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 was increased by \$25 per month, dental coverage was eliminated and the District contributed \$660 per employee, an increase of \$360 per month. The result was net position in this fund at August 31, 2015, of \$3,392,689. For the 2015-2016 school year, the District returned to using Blue Cross Blue Shield as their third party administrator and reduced premium contributions to the plan for both the employees and the District. The changes made to the plan in terms of coverage offered has remained consistent and claims have returned to a level that is comparable to years prior to 2013-2014. The net position of the fund at August 31, 2016 was \$3,889,218.

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. As of August 31, 2016 this internal service fund was closed with a transfer out to the general fund of \$1,113,528. This amount is classified in the general fund as committed fund balance for self insurance.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

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.

Committed for Self Insurance – the closure of the internal service fund established when the District was self insured for workers compensation claims has resulted in the transfer in from that fund being committed for the payment of any future workers compensation claims.

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.

	<u>General Funds</u>	<u>Other Governmental Funds</u> Debt Service Fund	<u>Other Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES				
Nonspendable				
Inventories	\$ 477,196	\$ -	\$ -	\$ 477,196
Prepayments	140,793	-	-	140,793
Restricted				
Federal programs	2,069,862	-	-	2,069,862
Committed				
Construction	-	-	324,816	324,816
Self insurance	1,113,528	-	-	1,113,528
Assigned				
Career and technology	523,726	-	-	523,726
Unassigned	<u>17,937,163</u>	<u>-</u>	<u>-</u>	<u>17,937,163</u>
Total fund balances	<u>\$22,262,268</u>	<u>\$ -</u>	<u>\$324,816</u>	<u>\$22,587,084</u>

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REQUIRED SUPPLEMENTARY INFORMATION

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

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	\$ 11,315,500	\$ 11,315,500	\$ 11,234,957	\$ (80,543)
5800	State Program Revenues	84,329,733	84,329,733	88,395,668	4,065,935
5900	Federal Program Revenues	11,127,530	11,127,530	11,935,206	807,676
5020	Total Revenues	106,772,763	106,772,763	111,565,831	4,793,068
	EXPENDITURES:				
	Current:				
0011	Instruction	50,790,776	52,897,143	49,383,417	3,513,726
0012	Instructional Resources and Media Services	1,666,598	1,635,822	1,304,423	331,399
0013	Curriculum and Instructional Staff Development	524,008	850,491	656,194	194,297
0021	Instructional Leadership	2,413,151	1,851,710	1,790,471	61,239
0023	School Leadership	5,313,866	5,381,032	5,362,437	18,595
0031	Guidance, Counseling and Evaluation Services	2,654,906	2,663,750	2,460,628	203,122
0032	Social Work Services	398,348	246,267	222,808	23,459
0033	Health Services	1,019,829	998,802	864,123	134,679
0034	Student (Pupil) Transportation	3,629,788	3,746,642	3,342,216	404,426
0035	Food Services	8,368,980	8,261,950	8,193,095	68,855
0036	Extracurricular Activities	2,938,145	2,996,878	2,846,333	150,545
0041	General Administration	4,395,179	4,532,048	3,633,847	898,201
0051	Facilities Maintenance and Operations	14,040,630	14,419,246	13,007,644	1,411,602
0052	Security and Monitoring Services	2,235,960	2,179,745	2,064,881	114,864
0053	Data Processing Services	759,000	1,134,527	825,027	309,500
0061	Community Services	68,117	71,542	67,299	4,243
	Debt Service:				
0071	Principal on Long Term Debt	220,000	220,000	220,000	-
0072	Interest on Long Term Debt	71,511	71,511	54,516	16,995
0073	Bond Issuance Cost and Fees	5,000	5,000	3,250	1,750
	Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	75,000	55,300	-	55,300
0099	Other Intergovernmental Charges	133,000	135,242	135,241	1
6030	Total Expenditures	101,721,792	104,354,648	96,437,850	7,916,798
1100	Excess of Revenues Over Expenditures	5,050,971	2,418,115	15,127,981	12,709,866
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	520,000	520,000	1,114,760	594,760
7949	Other Resources	-	-	103,119	103,119
8911	Transfers Out (Use)	(3,930,174)	(3,930,174)	(2,238,500)	1,691,674
7080	Total Other Financing Sources (Uses)	(3,410,174)	(3,410,174)	(1,020,621)	2,389,553
1200	Net Change in Fund Balances	1,640,797	(992,059)	14,107,360	15,099,419
0100	Fund Balance - September 1 (Beginning)	8,154,908	8,154,908	8,154,908	-
3000	Fund Balance - August 31 (Ending)	\$ 9,795,705	\$ 7,162,849	\$ 22,262,268	\$ 15,099,419

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

EXHIBIT G-2

	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0661713%	0.0427094%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 23,390,674	\$ 11,408,272
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	40,451,517	36,536,490
Total	\$ 63,842,191	\$ 47,944,762
District's Covered-Employee Payroll	\$ 65,016,551	\$ 65,831,754
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	35.98%	17.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-3

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,972,566	\$ 1,959,754
Contribution in Relation to the Contractually Required Contribution	(1,972,566)	(1,959,754)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 65,561,152	\$ 65,016,551
Contributions as a Percentage of Covered-Employee Payroll	3.01%	3.01%

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

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

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2016

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, 2016

Over the course of the year, the District revised the budget numerous times. Even with these adjustments, actual expenditures were \$7,916,798 below final budget amounts. The most significant positive variances were in personnel costs in instruction, personnel costs in general administration and contracted services in facilities maintenance and operations.

II. Pension

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

Changes in Assumptions – New actuarial assumptions were adopted by the Teacher Retirement System of Texas' Board of Trustees on September 24, 2015 and are effective with the valuation as of August 31, 2015. The major assumptions changes were the adoption of the use of generational mortality for the purpose of predicting future mortality improvement and the reduction in the inflation rate from 3.00% to 2.50%. The changes in assumptions are detailed in Note Q to the financial statements.

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, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.200000	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	1.170000	0.134900	896,741,770
2016 (School year under audit)	1.170000	0.134900	894,030,028
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 600,855	\$ -	\$ 16,074	\$ 1,792	\$ (56,471)	\$ 526,518
84,443	-	6,039	1,161	(1,160)	76,083
104,538	-	9,232	2,352	(842)	92,112
106,249	-	17,528	2,021	(715)	85,985
126,450	-	22,971	2,649	(3,032)	97,798
171,543	-	42,702	4,924	(1,508)	122,409
246,208	-	75,743	8,733	(2,314)	159,418
480,722	-	164,470	18,963	(4,423)	292,866
867,249	-	407,536	46,989	(17,700)	395,024
-	11,509,951	9,532,769	1,099,122	(42,305)	835,755
<u>\$ 2,788,257</u>	<u>\$ 11,509,951</u>	<u>\$ 10,295,064</u>	<u>\$ 1,188,706</u>	<u>\$ (130,470)</u>	<u>\$ 2,683,968</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, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,200,000	\$ 1,200,000	\$ 1,233,854	\$ 33,854
5800	State Program Revenues	3,492,332	3,492,332	4,622,350	1,130,018
5020	Total Revenues	4,692,332	4,692,332	5,856,204	1,163,872
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	4,242,506	5,177,506	4,440,000	737,506
0072	Interest on Long Term Debt	3,855,000	2,920,000	3,654,619	(734,619)
0073	Bond Issuance Cost and Fees	5,000	370,792	365,877	4,915
6030	Total Expenditures	8,102,506	8,468,298	8,460,496	7,802
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,410,174)	(3,775,966)	(2,604,292)	1,171,674
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	30,580,000	30,580,000	-
7915	Transfers In	3,410,174	3,410,174	2,238,500	(1,171,674)
7916	Premium or Discount on Issuance of Bonds	-	4,072,644	4,072,644	-
8949	Other (Uses)	-	(34,652,644)	(34,286,852)	365,792
7080	Total Other Financing Sources (Uses)	3,410,174	3,410,174	2,604,292	(805,882)
1200	Net Change in Fund Balances	-	(365,792)	-	365,792
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ (365,792)	\$ -	\$ 365,792

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, 2016, 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 17, 2017.

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 item 2016-001.

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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 item 2016-001.

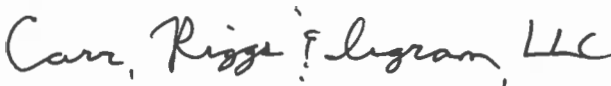
In addition, we noted certain other matters that we reported to management of the San Benito Consolidated Independent School District in a separate letter dated January 17, 2017.

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.



Harlingen, Texas
January 17, 2017

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

To the Board of Trustees
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 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, 2016. 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 the audit requirements of *Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carrie Reggs Salgram, LLC

Harlingen, Texas
January 17, 2017

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SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weaknesses?

_____ yes

 X no

 X yes

_____ none reported

Noncompliance material to financial statements noted?

_____ yes

 X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weakness(es)?

_____ yes

 X no

_____ yes

 X 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 2 CFR 200.516(a)?

_____ yes

 X no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.011

ESEA, Title I, Part C – Migratory Children

84.027 and 84.173

IDEA – Part B, Formula and IDEA-B Preschool

84.287

Title IV, Part B – 21st Century Community Learning Centers

84.367

ESEA, Title II, Part A, Teacher/Principal Training

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X yes

_____ no

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
YEAR ENDED AUGUST 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

STATE COMPLIANCE FINDING

DESCRIPTION

Reference Number: (2016-001)

Allocated State Program Revenues Not Expended

Criteria:

For programs financed under the Foundation School Program Act, the District must expend at least the percentage of each allocation as mandated by the Act.

Condition Found:

The District failed to expend at least 58% of its allocation for Career and Technology (Program Code 22).

Questioned Costs/Basis:

Career and Technology (Program Code 22) - \$523,726

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 Career and Technology 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, 2016

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, 2016

PROGRAM DESCRIPTION

CORRECTIVE ACTION PLAN

Schedule Reference Number: (2015-001)

Allocated State Program Revenue Not Expended

Corrective Action Plan:

The District expended the required amounts for the current school year as well as the carryover amounts from under expending in the prior school years for State Compensatory Education (Program Code 30), Bilingual Education (Program Code 25), Gifted and Talented (Program Code 21) and High School Allotment (Program Code 31). As noted in current year finding 2016-001 the District did not expend the required amount for Career and Technology (Program Code 22).

Schedule Reference Number: (2015-002)

Final Budget Amendment Not Adopted by Last Day of Fiscal Year

Corrective Action Plan:

The District properly amended the budget for the current school year including the final amendment which was approved by the Board prior to the last day of the fiscal year.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2016

PROGRAM DESCRIPTION

Schedule Reference Number: (2016-001)

Corrective Action Plan:

CORRECTIVE ACTION PLAN

Allocated State Program Revenues (Career and Technology)

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

Contact Person:

Hilda Rendon
Executive Director of Finance and Operations

Implementation Time Frame:

Ongoing

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

(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>Passed Through Region One ESC</u>			
GEAR-UP	84.334	P334A110180-13	\$ 141,675
Total Passed Through Region One ESC			\$ 141,675
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101031912	\$ 258,370
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101031912	5,073,708
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101031912	130,171
ESEA, Title I, Part D Subpart 2 Delinquent Prog.	84.010A	15610103031912	10,367
ESEA, Title I, Part D Subpart 2 Delinquent Prog.	84.010A	16610103031912	252,387
TTL I 1003 (A) Priority and Focus School Grant	84.010A	16610112031912000	196,527
TTL I 1003(A) Priority and Focus School Grant	84.010A	15610112031912000	7,276
Total CFDA Number 84.010A			5,928,806
ESEA, Title I, Part C - Migratory Children	84.011	15615001031912	189
ESEA, Title I, Part C - Migratory Children	84.011	16615001031912	1,064,059
ESEA, Title I, Part C - Migratory Children	84.011	17615001031912	31,219
Total CFDA Number 84.011			1,095,467
*IDEA - Part B, Formula	84.027	16660001031912600	1,631,919
*IDEA - Part B, Formula	84.027	17660001031912600	71,949
Total CFDA Number 84.027			1,703,868
*IDEA - Part B, Preschool	84.173	16661001031912600	20,770
*IDEA - Part B, Preschool	84.173	17661001031912610	1,962
Total CFDA Number 84.173			22,732
Total Special Education Cluster (IDEA)			1,726,600
Career and Technical - Basic Grant	84.048	16420006031912	194,282
Career and Technical - Basic Grant	84.048	17420006031912	3,859
Total CFDA Number 84.048			198,141
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	166950197110030	1,467,971
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	176950197110030	49,349
SSA - 21st Century Community Learning Centers	84.287	176950247110025	12,769
Total CFDA Number 84.287			1,530,089
Title III, Part A - English Language Acquisition	84.365A	16671001031912	201,393
Title III, Part A - English Language Acquisition	84.365A	17671001031912	3,759
Total CFDA Number 84.365A			205,152
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501031912	7,523
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501031912	578,728
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501031912	6,009
Total CFDA Number 84.367A			592,260
Summer School LEP	84.369	69551602	4,660
Total Passed Through State Department of Education			\$ 11,281,175
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 11,422,850
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 56,372
Total Passed Through Texas Dept of Human Services			\$ 56,372

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 56,372
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 2,277,098
*National School Lunch Program - Cash Assistance	10.555		5,789,656
*National School Lunch Prog. - Non-Cash Assistance	10.555		558,328
Total CFDA Number 10.555			6,347,984
Total Child Nutrition Cluster			8,625,082
Fresh Fruit and Vegetable Program	10.582		225,854
Total Passed Through the State Department of Agriculture			\$ 8,850,936
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 8,850,936
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 20,330,158

*Clustered Programs

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016

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 the Uniform Guidance, 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, E-Rate, payments in lieu of taxes and indirect costs are accounted for in the general fund. The National School Lunch Program, School Breakfast Program Commodity Supplemental Food Program, and Fresh Fruit and Vegetable 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	\$20,330,158
General fund – Federal Revenue	
School Health and Related Services (SHARS)	1,500,790
E-Rate	1,214,451
Payments in lieu of taxes	36,155
JROTC	75,389
Indirect costs earned on federal programs	<u>201,113</u>
Total Federal Revenues, per Exhibit C-3	<u>\$23,358,056</u>