
FRUITVALE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2016

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FRUITVALE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2016

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CERTIFICATE OF BOARD

Fruitvale Independent School District
Name of School District


Van Zandt
County

234-909
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and ✓ **approved**/ _____ **disapproved** for the year ended August 31, 2016, at a meeting of the board of school trustees of such school district on 12-15-16.



Signature of Board Secretary



Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

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 Fruitvale Independent School District (District), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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 Fruitvale 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.

Change in Accounting Principle

As discussed in Note Q to the financial statements, in 2016 the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. These other supplementary information schedules have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

December 12, 2016
Greenville, Texas



RUTHERFORD,
TAYLOR &
COMPANY, P.C.

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fruitvale Independent School District (District), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2016.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

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

Report on Internal Control – Continued

Purpose of this Report

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

December 12, 2016
Greenville, Texas

Rutherford, Taylor & Company, P.C.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016

Financial Statement Findings (Section II)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016

Prior Year Findings (Section IV)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016

Corrective Action Plans (Section V)

NONE

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2016

This section of Fruitvale Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2016. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

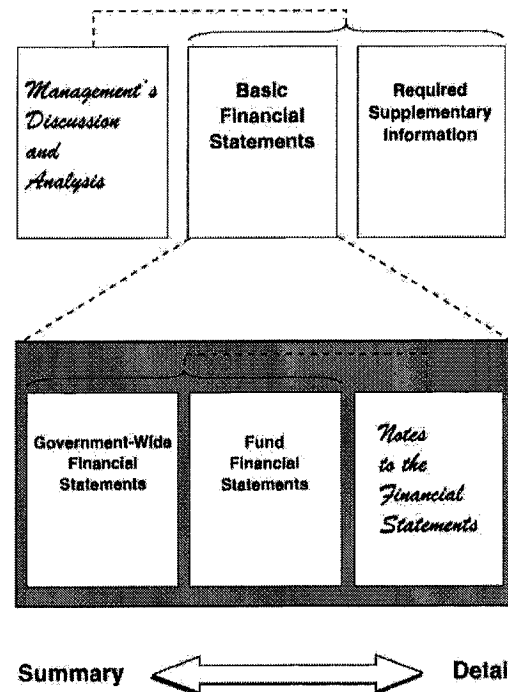
- The District's total combined net position was \$ 6,686,582 at August 31, 2016.
- During the year, the District's expenses were \$ 398,606, more than the \$ 4,954,937 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was increased from last year to provide for overall increased operations.
- The General Fund reported a fund balance this year of \$ 2,256,580 a decrease of \$ 3,647 over the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. 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, such as a print shop.
- 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.

Figure A-1, Required Components of the District's Annual Financial Report



The basic financial statements also include notes that explain some of the information in the basic 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 basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2016**

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. 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 statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

| <i>Type of Statements</i> | Fund Statements | | | |
|---|--|--|--|--|
| | Government-wide | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| <i>Scope</i> | Entire Agency's government (except fiduciary funds) and the Agency's component units | The activities of the district that are not proprietary or fiduciary | Activities the district operates similar to private businesses: self insurance | Instances in which the district is the trustee or agent for someone else's resources |
| <i>Required financial statements</i> | • Statement of net assets • Statement of activities | • Balance sheet • Statement of revenues, expenditures & changes in fund balances | • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows | • Statement of fiduciary net assets • Statement of changes in fiduciary net assets |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| <i>Type of asset/liability information</i> | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can |
| <i>Type of inflow/outflow information</i> | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

FUND FINANCIAL STATEMENTS

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 or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- Governmental funds—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 on the subsequent page that explains the relationship (or differences) between them.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2016

- 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$ 6,686,582 at August 31, 2016.

| Fruitvale Independent School District's Net Position | | | Table A-1 |
|---|----------------------------|---------------------|--|
| | Governmental Activities | | Total Percentage Change 2015-2016 |
| | 2016 | 2015 | |
| Assets: | | | |
| Cash and Investments | \$ 2,481,098 | \$ 2,546,407 | -2.6% |
| Other Assets | 466,606 | 232,695 | 100.5% |
| Capital Assets less Accumulated Depreciation | 5,979,724 | 6,130,960 | -2.5% |
| Total Assets | \$ 8,927,428 | \$ 8,910,062 | 0.2% |
| | | | |
| Total Deferred Net Outflows of Resources | \$ 559,200 | \$ 124,760 | 348.2% |
| | | | |
| Liabilities: | | | |
| Current Liabilities | \$ 597,498 | \$ 397,343 | 50.4% |
| Long-term Liabilities | 2,123,769 | 1,408,033 | 50.8% |
| Total Liabilities | \$ 2,721,267 | \$ 1,805,376 | 50.7% |
| | | | |
| Total Deferred Net Inflows of Resources | \$ 78,779 | \$ 144,261 | -45.4% |
| | | | |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 5,020,802 | \$ 5,062,646 | -0.8% |
| Restricted | 44,203 | 57,734 | -23.4% |
| Unrestricted | 1,621,577 | 1,964,805 | 17.5% |
| Total Net Position | \$ 6,686,582 | \$ 7,085,185 | -5.6% |

The District has restricted \$ 320 to represent funds held for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET POSITION

The District's total revenues were \$ 4,556,331. Approximately 12% of the District's revenue comes from local property taxes (See Table A-2). 87% comes from state aid and federal grants, while only 1% relates to charges for services and other miscellaneous revenues including investment earnings.

The total cost of all programs and services was \$ 4,954,937. 56% of these costs are for instruction and instructional related services.

The District's current tax collection rate (base tax only – current and delinquent) was 97.68%. The total collection rate (base tax and penalty and interest) was 99.75%.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2016

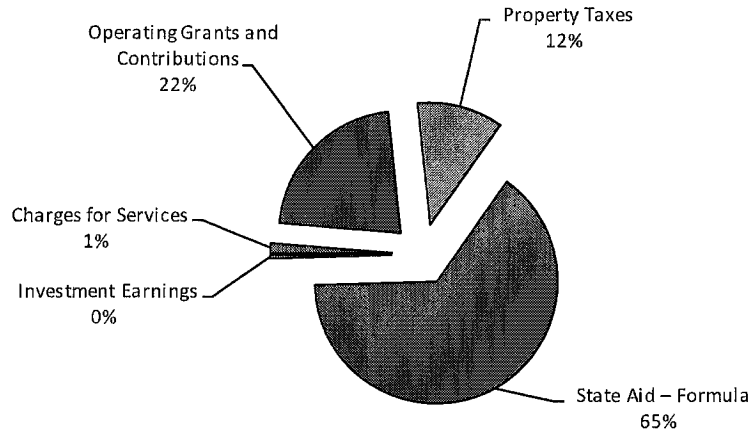
Table A-2

Changes in Fruitvale Independent School District's Net Position

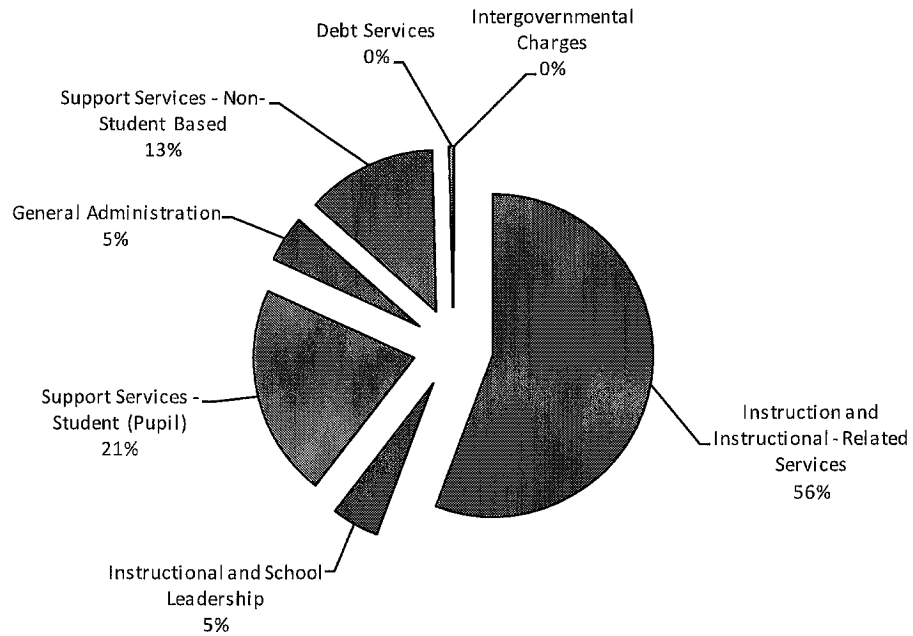
| | Governmental Activities | | Total Percentage Change |
|--|----------------------------|---------------------|-------------------------------|
| | 2016 | 2015 | 2015-2016 |
| Program Revenues: | | | |
| Charges for Services | \$ 59,801 | \$ 71,721 | -16.62% |
| Operating Grants and Contributions | 995,661 | 874,960 | 13.80% |
| General Revenues: | | | |
| Property Taxes | 522,335 | 615,677 | -15.16% |
| State Aid – Formula | 2,941,214 | 3,093,387 | -4.92% |
| Investment Earnings | 20,947 | 21,542 | -2.76% |
| Miscellaneous | 16,373 | 78,869 | -79.24% |
| Total Revenues | \$ 4,556,331 | \$ 4,756,156 | -4.20% |
| Expenses: | | | |
| Instruction | \$ 2,571,763 | \$ 2,468,536 | 4.18% |
| Instructional Resources and Media Services | 106,783 | 99,042 | 7.82% |
| Curriculum and Staff Development | 75,274 | 99,947 | -24.69% |
| School Leadership | 233,459 | 212,149 | 10.04% |
| Guidance, Counseling and Evaluation Services | 226,594 | 211,513 | 7.13% |
| Health Services | 119,204 | 115,069 | 3.59% |
| Student (Pupil) Transportation | 147,351 | 134,751 | 9.35% |
| Food Services | 318,478 | 316,478 | 0.63% |
| Cocurricular/Extracurricular Activities | 243,746 | 159,003 | 53.30% |
| General Administration | 229,879 | 227,536 | 1.03% |
| Plant Maintenance and Operations | 496,774 | 456,028 | 8.93% |
| Security and Monitoring Services | 3,172 | 3,218 | -1.43% |
| Data Processing Services | 147,539 | 129,053 | 14.32% |
| Other Governmental Charges | 12,606 | 14,284 | -11.75% |
| Debt Service | 21,712 | 22,908 | -5.22% |
| Payments for Shared Service Arrangements | 603 | 617 | -2.27% |
| Capital Outlay | - | 85,000 | -100.00% |
| Total Expenses | \$ 4,954,937 | \$ 4,755,132 | 4.20% |
| Excess (Deficiency) Before Other Resources, | | | |
| Uses and Transfers | \$ (398,606) | \$ 1,024 | -39026.37% |
| Increase (Decrease) in Net Position | \$ (398,606) | \$ 1,024 | -39026.37% |
| Net Position - Beginning (September 1) | \$ 7,085,188 | \$ 7,618,474 | -7.00% |
| Prior Period Adjustment | - | (534,310) | -100.00% |
| Net Position - Beginning, as restated | 7,085,188 | 7,084,164 | 0.01% |
| Net Position - Ending (August 31) | \$ 6,686,582 | \$ 7,085,188 | -5.63% |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2016

Sources of Revenue for Fiscal Year 2016 - See Table A-2



Functional Expenses for Fiscal Year 2016 - See Table A-2



FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2016

- Table A-3 presents the cost of selected District functions as well as the selected 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 \$ 4,954,937.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 522,335,
- Some of the cost was paid by those who directly benefited from the programs, \$ 59,801, or
- By grants and contributions \$ 995,661.

| Fruitvale Independent School District's Net Cost of Selected District Functions | | | | | | | Table A-3 |
|--|-------------------------------|--------------|--------|-----------------------------|--------------|--------|------------------|
| | <u>Total Cost of Services</u> | | % | <u>Net Cost of Services</u> | | % | |
| | 2016 | 2015 | | 2016 | 2015 | | Change |
| Instruction | \$ 2,571,763 | \$ 2,468,536 | 4.18% | \$ 2,067,043 | \$ 2,114,140 | -2.23% | |
| School Leadership | 233,459 | 212,149 | 10.04% | 221,725 | 202,114 | 9.70% | |
| General Administration | 229,879 | 227,536 | 1.03% | 220,528 | 216,613 | 1.81% | |
| Plant Maintenance and Operations | 496,774 | 456,028 | 8.93% | 483,808 | 434,514 | 11.34% | |
| Debt Service | 21,712 | 22,908 | -5.22% | (29,789) | (26,758) | 11.33% | |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's fund equity in the governmental funds totaled \$ 2,306,047.

Revenues from governmental fund types totaled \$ 4,436,520 which is a decrease of \$ 296,690 from the prior year. The decrease is representative of the decrease in state aid and local revenue.

Expenditures of governmental fund types totaled \$ 4,646,399 which is a decrease of \$ 131,517 from the prior year. The decrease was due to decreased operating expenditures overall.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. Even with these adjustments, actual expenditures were \$ 11,599 above final General Fund budget amounts. The most significant negative variance resulted from plant and maintenance.

Resources available were \$ 132,082 below the final General Fund budgeted amount. The unfavorable variance was primarily due to decreased state aid.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 9,512,556 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

| Fruitvale Independent School District's Capital Assets | | | Table A-4 |
|---|----------------------------|---------------------|-------------------------------|
| | Governmental Activities | | Total Percentage Change |
| | 2016 | 2015 | 2015-2016 |
| Land | \$ 141,350 | \$ 141,350 | 0.00% |
| Buildings and Improvements | 8,535,011 | 8,395,522 | 1.66% |
| Vehicles | 593,290 | 593,290 | 0.00% |
| Equipment | 242,905 | 242,905 | 0.00% |
| Totals at Historical Cost | \$ 9,512,556 | \$ 9,373,067 | 1.49% |
| Total Accumulated Depreciation | (3,532,832) | (3,242,107) | 8.97% |
| Net Capital Assets | <u>\$ 5,979,724</u> | <u>\$ 6,130,960</u> | -2.47% |

DEBT

At year-end, the District had \$ 1,065,006 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

| Fruitvale Independent School District's Debt | | | Table A-5 |
|---|----------------------------|-------------------|-------------------------------|
| | Governmental Activities | | Total Percentage Change |
| | 2016 | 2015 | 2015-2016 |
| Bonds Payable | \$ 820,000 | \$ 880,000 | -6.82% |
| Other Debt Payable | 245,006 | 56,444 | 334.07% |
| Total Debt Payable | <u>\$ 1,065,006</u> | <u>\$ 936,444</u> | 13.73% |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2016

ECONOMIC FACTORS

The District's property valuation has dropped significantly due to economic conditions in the area. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The state funding formula was changed in prior years to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Student population has continued to decline over the past few years at a minor rate. The economic outlook for the area is for growth to be relatively slow, as indicated by the decline in local property values. Housing has not expanded at the rate of other north central Texas communities. These economic conditions allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2015-2017 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

A challenge to the State's funding system resulted in the system being held constitutional. Future legislative sessions could produce minor changes to funding for student populations. The legal process ended the challenges by the various interested parties including the State. State funding will continue under the present system until legislative changes occur.

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 Rebecca Bain, Superintendent of the District.

BASIC FINANCIAL STATEMENTS

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

| Data Control Codes | 1 Governmental Activities |
|--|-------------------------------------|
| ASSETS | |
| 1110 Cash and Investments | \$ 2,481,098 |
| 1225 Property Taxes Receivable, Net | 42,444 |
| 1240 Due from Other Governments | 421,792 |
| 1290 Other Receivables, Net | 2,370 |
| Capital Assets: | |
| 1510 Land | 141,350 |
| 1520 Building and Improvements, Net | 5,532,241 |
| 1530 Furniture and Equipment, Net | <u>306,133</u> |
| 1000 Total Assets | \$ <u>8,927,428</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| 1705 Deferred Outflows - Pensions | <u>\$ 559,200</u> |
| 1700 Total Deferred Outflows of Resources | \$ <u>559,200</u> |
| LIABILITIES | |
| 2110 Accounts Payable | \$ 16,054 |
| 2140 Interest Payable | 1,021 |
| 2165 Accrued Liabilities | 156,046 |
| 2300 Unearned Revenue | 424,377 |
| Noncurrent Liabilities: | |
| 2501 Due within one year | 84,060 |
| 2502 Due in more than one year | 980,946 |
| 2540 Net Pension Liability | <u>1,058,763</u> |
| 2000 Total Liabilities | \$ <u>2,721,267</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| 2605 Deferred Inflows - Pensions | <u>\$ 78,779</u> |
| 2600 Total Deferred Inflows of Resources | \$ <u>78,779</u> |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | \$ 5,020,802 |
| Restricted For: | |
| 3820 Federal and State Programs | 6,527 |
| 3850 Debt Service | 320 |
| 3890 Other Programs | 37,356 |
| 3900 Unrestricted | <u>1,621,577</u> |
| 3000 Total Net Position | \$ <u>6,686,582</u> |

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2016

| Data Control Codes | Functions/Programs | 1 Expenses | 3 Charges for Services | 4 Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets |
|--------------------------|--|---------------------|---------------------------|---|---|
| | | Program Revenues | | | Governmental Activities |
| Governmental Activities: | | | | | |
| 11 | Instruction | \$ 2,571,763 | \$ - | \$ 504,720 | \$ (2,067,043) |
| 12 | Instructional Resources and Media Services | 106,783 | - | 4,563 | (102,220) |
| 13 | Curriculum and Staff Development | 75,274 | - | 58,264 | (17,010) |
| 23 | School Leadership | 233,459 | - | 11,734 | (221,725) |
| 31 | Guidance, Counseling and Evaluation Services | 226,594 | - | 64,076 | (162,518) |
| 33 | Health Services | 119,204 | - | 45,190 | (74,014) |
| 34 | Student (Pupil) Transportation | 147,351 | - | 2,454 | (144,897) |
| 35 | Food Services | 318,478 | 27,487 | 220,427 | (70,564) |
| 36 | Cocurricular/Extracurricular Activities | 243,746 | 32,314 | 3,731 | (207,701) |
| 41 | General Administration | 229,879 | - | 9,351 | (220,528) |
| 51 | Plant Maintenance and Operations | 496,774 | - | 12,966 | (483,808) |
| 52 | Security and Monitoring Services | 3,172 | - | - | (3,172) |
| 53 | Data Processing Services | 147,539 | - | 6,684 | (140,855) |
| 72 | Interest on Long-term Debt | 21,312 | - | 51,501 | 30,189 |
| 73 | Debt Issuance Costs and Fees | 400 | - | - | (400) |
| 93 | Payments to Shared Service Arrangements | 603 | - | - | (603) |
| 99 | Other Intergovernmental Charges | 12,606 | - | - | (12,606) |
| TG | Total Governmental Activities | <u>\$ 4,954,937</u> | <u>\$ 59,801</u> | <u>\$ 995,661</u> | <u>\$ (3,899,475)</u> |
| TP | Total Primary Government | <u>\$ 4,954,937</u> | <u>\$ 59,801</u> | <u>\$ 995,661</u> | <u>\$ (3,899,475)</u> |
| General Revenues: | | | | | |
| MT | Property Taxes, Levied for General Purpose | | | | \$ 522,321 |
| DT | Property Taxes, Levied for Debt Service | | | | 14 |
| IE | Investment Earnings | | | | 20,947 |
| GC | Grants and Contributions Not Restricted to Specific Programs | | | | 2,941,214 |
| MI | Miscellaneous | | | | 16,373 |
| TR | Total General Revenues | | | | <u>\$ 3,500,869</u> |
| CN | Change in Net Position | | | | \$ (398,606) |
| NB | Net Position - Beginning (September 1) | | | | <u>7,085,188</u> |
| NE | Net Position - Ending (August 31) | | | | <u>\$ 6,686,582</u> |

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2016

| Data Control Codes | 10 General Fund | Other Governmental Funds | 98 Total Governmental Funds |
|--|----------------------------|--------------------------------|--------------------------------------|
| ASSETS | | | |
| 1110 Cash and Investments | \$ 2,525,079 | \$ - | \$ 2,525,079 |
| 1225 Property Taxes Receivable, Net | 42,172 | 272 | 42,444 |
| 1240 Due from Other Governments | 293,303 | 128,489 | 421,792 |
| 1290 Other Receivables | <u>2,358</u> | <u>12</u> | <u>2,370</u> |
| 1000 Total Assets | <u>\$ 2,862,912</u> | <u>\$ 128,773</u> | <u>\$ 2,991,685</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| 2110 Accounts Payable | \$ 3,684 | \$ 59,087 | \$ 62,771 |
| 2150 Payroll Deductions & Withholdings | 325 | - | 325 |
| 2160 Accrued Wages Payable | 138,911 | 13,388 | 152,299 |
| 2200 Accrued Expenditures | 2,472 | 950 | 3,422 |
| 2300 Deferred Revenues | <u>418,768</u> | <u>5,609</u> | <u>424,377</u> |
| 2000 Total Liabilities | <u>\$ 564,160</u> | <u>\$ 79,034</u> | <u>\$ 643,194</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| 2600 Total Deferred Inflows of Resources | <u>\$ 42,172</u> | <u>\$ 272</u> | <u>\$ 42,444</u> |
| FUND BALANCES | | | |
| Restricted Fund Balances: | | | |
| 3450 Federal/State Funds Grants | \$ - | \$ 5,887 | \$ 5,887 |
| 3480 Retirement of Long-Term Debt | - | 1,069 | 1,069 |
| 3490 Other Restrictions of Fund Balance | - | 37,358 | 37,358 |
| Committed Fund Balances: | | | |
| 3530 Capital Expenditures for Equipment | 260,000 | - | 260,000 |
| 3545 Other Committed Fund Balance | 400,000 | 4,513 | 404,513 |
| Assigned Fund Balances: | | | |
| 3550 Construction | - | 640 | 640 |
| 3600 Unassigned | <u>1,596,580</u> | <u>-</u> | <u>1,596,580</u> |
| 3000 Total Fund Balances | <u>\$ 2,256,580</u> | <u>\$ 49,467</u> | <u>\$ 2,306,047</u> |
| 4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 2,862,912</u> | <u>\$ 128,773</u> | <u>\$ 2,991,685</u> |

The accompanying notes are an integral part of this statement.

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

| | | |
|--|----|------------------|
| Total fund balances - Balance Sheet (governmental funds) | \$ | 2,306,047 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not reported in the funds. | | 5,979,724 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | | 42,444 |
| The assets and liabilities of internal service funds are included in governmental activities in the SNA. | | 2,736 |
| Payables for bond principal which are not due in the current period are not reported in the funds. | | (820,000) |
| Payables for capital leases which are not due in the current period are not reported in the funds. | | (52,746) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | | (1,021) |
| Payables for notes which are not due in the current period are not reported in the funds. | | (139,554) |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | | (1,058,763) |
| Deferred Resource Inflows related to TRS are not reported in the funds. | | (78,779) |
| Deferred Resource Outflows related to TRS are not reported in the funds. | | 559,200 |
| The accumulated accretion of interest on capital appreciation bonds is not reported in the funds. | | (9,826) |
| Bond premiums are amortized in the SNA but not in the funds. | | <u>(42,880)</u> |
| Net position of governmental activities - Statement of Net Position | \$ | <u>6,686,582</u> |

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2016

| Data Control Codes | 10 General Fund | Other Governmental Funds | 98 Total Governmental Funds |
|---|-----------------------|--------------------------------|--------------------------------------|
| REVENUES | | | |
| 5700 Local and Intermediate Sources | \$ 574,094 | \$ 76,060 | \$ 650,154 |
| 5800 State Program Revenues | 3,120,491 | 67,094 | 3,187,585 |
| 5900 Federal Program Revenues | 138,716 | 460,065 | 598,781 |
| 5020 Total Revenues | \$ 3,833,301 | \$ 603,219 | \$ 4,436,520 |
| EXPENDITURES | | | |
| Current: | | | |
| 0011 Instruction | \$ 2,152,778 | \$ 117,429 | \$ 2,270,207 |
| 0012 Instructional Resources and Media Services | 95,784 | - | 95,784 |
| 0013 Curriculum and Staff Development | 14,229 | 57,840 | 72,069 |
| 0023 School Leadership | 219,312 | - | 219,312 |
| 0031 Guidance, Counseling and Evaluation Services | 159,334 | 55,068 | 214,402 |
| 0033 Health Services | 71,773 | 41,131 | 112,904 |
| 0034 Student (Pupil) Transportation | 97,784 | - | 97,784 |
| 0035 Food Services | 5,461 | 280,045 | 285,506 |
| 0036 Cocurricular/Extracurricular Activities | 183,902 | 14,997 | 198,899 |
| 0041 General Administration | 218,823 | - | 218,823 |
| 0051 Plant Maintenance and Operations | 616,943 | - | 616,943 |
| 0052 Security and Monitoring Services | 2,945 | - | 2,945 |
| 0053 Data Processing Services | 142,112 | - | 142,112 |
| 0071 Principal on Long-term Debt | - | 60,000 | 60,000 |
| 0072 Interest on Long-term Debt | - | 25,100 | 25,100 |
| 0073 Debt Issuance Cost and Fees | - | 400 | 400 |
| 0093 Payments for Shared Service Arrangements | 603 | - | 603 |
| 0099 Other Intergovernmental Charges | 12,606 | - | 12,606 |
| 6030 Total Expenditures | \$ 3,994,389 | \$ 652,010 | \$ 4,646,399 |
| 1100 Excess (Deficiency) of Revenues Over Expenditures | \$ (161,088) | \$ (48,791) | \$ (209,879) |
| OTHER FINANCING SOURCES (USES) | | | |
| 7913 Issuance of Capital Leases | \$ 52,746 | \$ - | \$ 52,746 |
| 7914 Issuance of Non-current Debt | 139,554 | - | 139,554 |
| 7915 Transfers In | - | 34,859 | 34,859 |
| 8911 Transfers Out | (34,859) | - | (34,859) |
| 7080 Net Other Financing Sources (Uses) | \$ 157,441 | \$ 34,859 | \$ 192,300 |
| 1200 Net Changes in Fund Balances | \$ (3,647) | \$ (13,932) | \$ (17,579) |
| 0100 Fund Balances - Beginning (September 1) | 2,260,227 | 63,399 | 2,323,626 |
| 3000 Fund Balances - Ending (August 31) | \$ 2,256,580 | \$ 49,467 | \$ 2,306,047 |

The accompanying notes are an integral part of this statement.

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

| | | |
|--|----|------------------|
| Net change in fund balances - total governmental funds | \$ | (17,579) |
| | | |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| | | |
| Capital outlays are not reported as expenses in the SOA. | | 139,489 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | | (290,725) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | | 3,683 |
| Revenues in the SOA not providing current financial resources are not reported as revenues in the funds. | | 116,128 |
| Expenses not requiring the use of current financial resources are not reported as expenditures in the funds. | | 4,084 |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | | 60,000 |
| The accretion of interest on capital appreciation bonds is not reported in the funds. | | (346) |
| (Increase) decrease in accrued interest expense from beginning of period to end of period. | | 50 |
| The net revenue (expense) of internal service funds is reported with governmental activities. | | (17,710) |
| Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds. | | (139,554) |
| Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds. | | (52,746) |
| Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows. | | 88,689 |
| Pension contributions made after the measurement date but in current FY were de-expended and reduced NPO. | | 7,155 |
| The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized. | | 29,667 |
| Pension expense relating to GASB 68 is recorded in the SOA but not in the funds. | | <u>(328,891)</u> |
| | | |
| Change in net position of governmental activities - Statement of Activities | \$ | <u>(398,606)</u> |

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
~~STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS~~
 AUGUST 31, 2016

| <u>Data Control Codes</u> | <u>Internal Service Fund</u> |
|-----------------------------------|--------------------------------------|
| ASSETS | |
| Current Assets: | |
| 1110 Cash and Investments | \$ <u>15,106</u> |
| 1000 Total Assets | \$ <u>15,106</u> |
| LIABILITIES | |
| Current Liabilities: | |
| 2110 Accounts Payable | \$ <u>12,370</u> |
| 2000 Total Liabilities | \$ <u>12,370</u> |
| NET POSITION | |
| 3900 Unrestricted Net Position | \$ <u>2,736</u> |
| 3000 Total Net Position | \$ <u><u>2,736</u></u> |

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2016

| <u>Data Control Codes</u> | | <u>Internal Service Fund</u> |
|-----------------------------------|--|--------------------------------------|
| OPERATING REVENUES | | |
| 5700 | Local and Intermediate Sources | \$ 8 |
| 5020 | Total Revenues | \$ 8 |
| OPERATING EXPENSES | | |
| 6100 | Payroll Costs | \$ 8,701 |
| 6400 | Other Operating Costs | 9,017 |
| 6030 | Total Expenses | \$ 17,718 |
| 1200 | Change in Net Position | \$ (17,710) |
| 0100 | Total Net Position - Beginning (September 1) | 20,446 |
| 3000 | Total Net Position - Ending (August 31) | \$ 2,736 |

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2016

| | Internal Service Fund |
|--|-----------------------------|
| | |
| Cash Flows from Operating Activities: | |
| Cash Receipts from Other Sources | \$ 6 |
| Cash Receipts from Investment Earnings | 2 |
| Cash Payments for Claims | (3,113) |
| Cash Payments for Administration | (8,701) |
| | (8,701) |
| Net Cash Provided by (Used for) Operating Activities | \$ (11,806) |
| Cash Flows from Capital and Other Related Financing Activities: | |
| NONE | |
| Cash Flows from Noncapital Financing Activities: | |
| NONE | |
| Cash Flows from Investing Activities: | |
| NONE | |
| Net Increase (Decrease) in Cash and Investments | \$ (11,806) |
| Cash and Investments - Beginning (September 1) | 26,912 |
| Cash and Investments - Ending (August 31) | \$ 15,106 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | |
| Operating Income (Loss) | \$ 324 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| (Increase) Decrease in Unrealized Expenses | (9,017) |
| Increase (Decrease) in Claims Liability | (3,113) |
| | (12,100) |
| Net Cash Provided by (Used for) Operating Activities | \$ (11,806) |

The accompanying notes are an integral part of this statement.

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

| Data Control Codes | | Agency Funds |
|--------------------------|---------------------------|------------------|
| | | |
| | ASSETS | |
| 1110 | Cash and Investments | \$ 14,271 |
| 1000 | Total Assets | \$ 14,271 |
| | LIABILITIES | |
| | Current Liabilities: | |
| 2190 | Due to Student Groups | \$ 14,271 |
| 2000 | Total Liabilities | \$ 14,271 |
| | NET POSITION | |
| 3000 | Total Net Position | \$ - |

The accompanying notes are an integral part of this statement.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate 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 (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

Government-wide Statements – The statement of net position (SNP) and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities (SOA) presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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.

In addition, the District reports the following fund types:

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term Debt principal, interest and related costs.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies (Continued)

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

Internal Service Funds – 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 users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

b. Measurement Focus – Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange 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.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease 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.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies (Continued)

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB Standards.

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

| | | |
|----------------------|----|-----------------|
| General Fund | \$ | 0 |
| Special Revenue Fund | | 0 |
| Debt Service Fund | | <u>0</u> |
| Total | \$ | <u><u>0</u></u> |

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash and investments if they have a maturity of three months or less when purchased.

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method supplies and materials are debited as expenditures when purchased.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies (Continued)

Fund Equity

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance – represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

| | General | Other Governmental | Total |
|------------------------------------|---------------------|-----------------------|---------------------|
| Restricted | | | |
| Food Service | \$ - | \$ 5,887 | \$ 5,887 |
| Retirement of Long Term Debt | - | 1,069 | 1,069 |
| Bobcat Supplies | - | 387 | 387 |
| Scholarships | - | 11,152 | 11,152 |
| Other Restricted | - | 25,819 | 25,819 |
| Committed | | | - |
| Capital Expenditures for Equipment | 260,000 | - | 260,000 |
| Future Budget Deficits | - | 640 | 640 |
| Campus Activity Funds | - | 4,513 | 4,513 |
| Other Purposes | 400,000 | - | 400,000 |
| Unassigned | 1,596,580 | - | 1,596,580 |
| Totals | <u>\$ 2,256,580</u> | <u>\$ 49,467</u> | <u>\$ 2,306,047</u> |

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.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies (Continued)

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|----------------------------|-------------------------------|
| Buildings and Improvements | 15-50 |
| Vehicles | 5-10 |
| Other Equipment | 3-15 |

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources. To the extent practical, this change in accounting principle is required to be reported as an adjustment to prior periods.

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resources for pension contributions made subsequent to the measurement date of the beginning Net Pension liability. Implementation is reflected in the financial statements and the prior period adjustment.

7. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

8. Interfund Activities

Interfund activity results from loans, service 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, deemed to be at market or near market rates, 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 "Transfer" 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.

9. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest but accumulates and is recorded as an expenditure as it is paid.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies (Continued)

10. Pensions

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

11. Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

13. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

14. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities, and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At year end, all District cash deposits appear to be covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal year.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

B. Deposits, Securities, and Investments (Continued)

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments in external investment pools, such as TexPool and Lone Star Investment Pool as well as certificates of deposit with local financial institutions. All external investment pool balances are reported at share price (fair value) and are presented as cash and investments.

The *Lone Star Investment Pool* is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors made up of members of the pool is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors and BNY Mellon Cash Investment Strategies – Investment Managers, RBC Wealth Management – Investment Consultant, Bank of New York Mellon – Custodian, First Public – Administration. In combination with these third party organizations, the pool has received a AAAM rating from Standard and Poor's. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

Texas Local Government Investment Pool (TexPool) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

The fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's. This rating as well as the operational policies and procedures allow the fund to comply with the requirements of the Public Funds Investment Act.

The following table provides a listing of the District's investment at year end:

| | <u>Credit Rating</u> | <u>Fair Value</u> |
|---------------------------|--------------------------|-----------------------|
| Lone Star Investment Pool | AAAm | \$ 1,445 |
| TexPool | AAAm | 1 |
| Certificates of Deposit | n/a | <u>2,132,475</u> |
| Total | | <u>\$ 2,133,921</u> |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

B. Deposits, Securities, and Investments (Continued)

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

- a. Name of bank: Citizens National Bank, Wills Point, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 3,791,052.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 3,125,959, and occurred during the month of March 2016.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 250,010.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

C. Property Taxes

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 October 1 levy date. 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 collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

C. Property Taxes (Continued)

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.17 to fund general operations. The District did not levy a tax for the retirement of debt in the fiscal year. The rates were levied on property assessed totaling \$ 52,513,846.

D. Capital Assets

Capital asset activities during the year were as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|--------------|-----------|--------------------|
| Capital Assets not Being Depreciated: | | | | |
| Land | \$ 141,350 | \$ - | \$ - | \$ 141,350 |
| Total Capital Assets not being Depreciated | \$ 141,350 | \$ - | \$ - | \$ 141,350 |
| Capital Assets being Depreciated: | | | | |
| Building and Improvements | \$ 8,395,522 | \$ 139,489 | \$ - | \$ 8,535,011 |
| Equipment | 242,905 | - | - | 242,905 |
| Vehicles | 593,290 | - | - | 593,290 |
| Total Capital Assets being Depreciated | \$ 9,231,717 | \$ 139,489 | \$ - | \$ 9,371,206 |
| Less Accumulated Depreciation for : | | | | |
| Buildings and Improvements | \$ 2,774,032 | \$ 228,738 | \$ - | \$ 3,002,770 |
| Equipment | 194,090 | 13,261 | - | 207,351 |
| Vehicles | 273,985 | 48,726 | - | 322,711 |
| Total Accumulated Depreciation | \$ 3,242,107 | \$ 290,725 | \$ - | \$ 3,532,832 |
| Total Capital Assets being Depreciated, Net | \$ 5,989,610 | \$ (151,236) | \$ - | \$ 5,838,374 |
| Governmental Activities Capital Assets, Net | \$ 6,130,960 | \$ (151,236) | \$ - | \$ 5,979,724 |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

| | |
|--|-----------------------|
| Instruction | \$ 156,932 |
| Instructional Resources and Media Services | 7,005 |
| School Leadership | 3,271 |
| Guidance, Counseling and Evaluation Services | 718 |
| Health Services | 417 |
| Student (Pupil) Transportation | 46,734 |
| Food Services | 25,685 |
| Cocurricular/Extracurricular Activities | 39,425 |
| General Administration | 2,034 |
| Plant Maintenance and Operations | 8,277 |
| Security | <u>227</u> |
| Total | <u>\$ 290,725</u> |

E. Long Term Obligations

Long-term obligation activities during the year ended were as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances | Amounts Due Within One Year |
|-------------------------------|-----------------------|-------------------|------------------|---------------------|-----------------------------------|
| General Obligation Bonds | \$ 880,000 | \$ - | \$ 60,000 | \$ 820,000 | \$ 60,000 |
| Capital Leases | - | 52,746 | - | 52,746 | 6,768 |
| Loans | - | 139,554 | - | 139,554 | 17,292 |
| Bond Premium (Discount) | 46,964 | - | 4,084 | 42,880 | - |
| Accreted Interest | 9,480 | 346 | - | 9,826 | - |
| Total Governmental Activities | <u>\$ 936,444</u> | <u>\$ 192,646</u> | <u>\$ 64,084</u> | <u>\$ 1,065,006</u> | <u>\$ 84,060</u> |

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The following bonded debt issues are outstanding at year end:

| Description | Interest Rate | Original Balance | Outstanding Balances |
|---|------------------|---------------------|-------------------------|
| Unlimited Tax School Refunding Bonds, Series 2014 | 2.2279% | \$ 940,000 | \$ 820,000 |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

E. Long Term Obligations (Continued)

Maturity requirements on bonded debt at year end are as follows:

| Year Ending August 31 | Principal | Interest | Total Requirements |
|--------------------------|-------------------|-------------------|-----------------------|
| 2017 | \$ 60,000 | \$ 34,150 | \$ 94,150 |
| 2018 | 65,000 | 23,150 | 88,150 |
| 2019 | 70,000 | 21,450 | 91,450 |
| 2020 | 70,000 | 19,350 | 89,350 |
| 2021 | 70,000 | 17,250 | 87,250 |
| 2022-2027 | 485,000 | 51,076 | 536,076 |
| Totals | <u>\$ 820,000</u> | <u>\$ 166,426</u> | <u>\$ 986,426</u> |

Loans

The District issued SECO Grant Loan – CL281 in 2016 to facilitate the improvements to the HVAC system throughout the District. The interest rate is 0.25% on an 8 year term with 4 payments due per year. The total amount of the loan is \$ 43,276.

The District also issued SECO Grant Loan – CL282 in 2016 to facilitate improvements to the HVAC system throughout the District. The interest rate is 0.25% on an 8 year term with 4 payments due per year. The total amount of the loan is \$ 96,258.

The District issued various agreements identified here as loans. The following schedule lists the outstanding loans at year end:

| <u>Description</u> | <u>Interest Rate</u> | <u>Original Balance</u> | <u>Outstanding Balances</u> |
|------------------------|--------------------------|-----------------------------|---------------------------------|
| SECO Grant Loan CL-281 | 0.25% | \$ 43,296 | \$ 43,296 |
| SECO Grant Loan CL-282 | 0.25% | 96,258 | 96,258 |
| Totals | | | <u>\$ 139,554</u> |

| Year Ending August 31 | Principal | Interest | Total Requirements |
|--------------------------|-------------------|-----------------|-----------------------|
| 2017 | \$ 17,292 | \$ 333 | \$ 17,625 |
| 2018 | 17,335 | 289 | 17,624 |
| 2019 | 17,379 | 246 | 17,625 |
| 2020 | 17,422 | 203 | 17,625 |
| 2021-2024 | 70,126 | 373 | 70,499 |
| Totals | <u>\$ 139,554</u> | <u>\$ 1,444</u> | <u>\$ 140,998</u> |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

E. Long Term Obligations (Continued)

Leases

The District issued a Governmental Lease in 2016 to facilitate a lighting retrofit project to conserve energy and lower costs throughout the District. The amount of the lease is \$ 52,746 with an interest rate of 3.53%. The terms of the lease is 84 months with semi-annual payments due yearly.

The District issued various agreements identified here as capital leases. The following schedule lists the outstanding leases at year end:

| Description | Interest Rate | Original Balance | Outstanding Balances |
|--|---------------|------------------|----------------------|
| Governmental Lease - Lighting Retrofit | 3.53% | \$ 52,746 | \$ 52,746 |

| Year Ending August 31 | Principal | Interest | Total Requirements |
|-----------------------|-----------|----------|--------------------|
| 2017 | \$ 6,768 | \$ 1,803 | \$ 8,571 |
| 2018 | 7,009 | 1,562 | 8,571 |
| 2019 | 7,258 | 1,312 | 8,570 |
| 2020 | 7,517 | 1,054 | 8,571 |
| 2021-2025 | 24,194 | 1,516 | 25,710 |
| Totals | \$ 52,746 | \$ 7,247 | \$ 59,993 |

F. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS's defined benefit pension plan operates primarily under the provision of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, www.trs.texas.gov.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

F. Pension Plan (Continued)

2. Benefits Provided

TRS administers retirement and disability annuities, and death survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. Benefits are established or amended primarily under the authority of the provisions of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The pension's board of trustees does not have the authority to establish or amend benefits. 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 or exceed 80 years. Reduced service retirement is at age 55 with 5 years of credited service and any age below 50 with 30 years of credited service. A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met. The plan does not provide automatic cost of living adjustments (COLA's). Ad hoc post-employment benefits changes, including ad hoc COLA's can be granted by the Texas Legislature as noted in the Plan Description above.

3. Contributions

Contribution requirements are established or amended pursuant to the following state laws: (1) Article 16, Section 67 of the Texas Constitution requires the 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. Actuarial implications of the funding provided in this manner are determined by the system's actuary. As the non-employer contributing entity, 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 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.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

F. Pension Plan (Continued)

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge. Employee contribution rates are set in state statute, Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016. Contribution amounts are as follows:

| | | Contributions Required and Made | |
|------|--|--|---------|
| 2016 | Member (Employee) | \$ | 187,432 |
| 2015 | Non-Employer Contributing Agency (State On Behalf) | \$ | 150,856 |
| 2016 | District (Employer) | \$ | 93,968 |

Contribution rates for the plan fiscal year (September to August) 2015 and 2016 are as follows:

| | Contribution Rates Plan Fiscal Year | |
|--|--|-------------|
| | 2015 | 2016 |
| Member (Employee) | 6.7% | 7.2% |
| District (Employer) | 6.8% | 6.8% |
| Non-Employer Contributing Agency (State On Behalf) | 6.8% | 6.8% |

4. 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 for its proportionate share of the net pension liability that reflected 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 net pension liability | \$ 1,058,763 |
| State's proportionate share of the net pension liability associated with the District | <u>1,800,376</u> |
| Total | <u>\$ 2,859,139</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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating entities. At August 31, 2015, the District's proportion was 0.0029952% which was an increase of 0.0012297% from its proportion as of August 31, 2014.

For the year ended August 31, 2015, the District recognized pension expense of \$ 256,525 and revenue of \$ 256,525 for support provided by the State.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

F. Pension Plan (Continued)

At August 31, 2015, the District report deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 6,065 | \$ 40,689 |
| Changes of actuarial assumptions | 25,494 | 37,772 |
| Net difference between projected and actual earnings on pension plan investments | 152,647 | - |
| Changes in proportion and differentials between District contributions and proportionate share of contributions | <u>281,026</u> | <u>318</u> |
| Total | <u>\$ 465,232</u> | <u>\$ 78,779</u> |

At August 31, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Total Amounts per August 31, 2015 measurement date | \$ 465,232 | \$ 78,779 |
| Contribution paid to TRS subsequent to the measurement date | <u>93,968</u> | <u>-</u> |
| Total Financial Statement Amounts | <u>\$ 559,200</u> | <u>\$ 78,779</u> |

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending August 31</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2017 | \$ 69,800 |
| 2018 | 69,800 |
| 2019 | 69,799 |
| 2020 | 105,836 |
| 2021 | 40,268 |
| Thereafter | 30,950 |

5. Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The active mortality rates were based on the 1994 Group Annuity Mortality Table set back 6 years for both males and females. The Post-retirement mortality rates were based on client specific tables multiplied by 80%. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the four-year period ending August 31, 2014 and adopted on September 24, 2015. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2015, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2015 they contained significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rate for current and future retirees has decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards Practice No. 35.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2016

F. Pension Plan (Continued)

The following assumptions were applied to this measurement period:

| | |
|--|-----------------------------------|
| Valuation Date | August 31, 2015 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Open |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | 5 year Smoothed Market |
| Actuarial Assumption: | |
| Discount Rate | 8.00% |
| Long-term expected Investment Rate of Return * | 8.00% |
| Salary Increases * | 3.50% to 9.50% |
| Payroll Growth Rate | 2.50% |

* Includes Inflation of 2.50%

6. 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 fiscal 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 new 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 expected rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investment 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized on the next page:

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

F. Pension Plan (Continued)

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

For the year ended August 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 16.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

7. Discount Rate Sensitivity Analysis

The following presents the District's share of the net pension liability of the plan using the discount rate of 8%, as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 - percentage point lower (7%) or 1 - percentage point higher (9%) than the current rate:

| | 1% Decrease | Current Rate | 1% Increase |
|--|--------------|--------------|-------------|
| District's proportional share of the net pension liability | \$ 1,658,883 | \$ 1,058,763 | \$ 558,901 |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

F. Pension Plan (Continued)

8. 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. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015 and 2014.

| <u>Net Pension Liability</u> | <u>August 31, 2015</u> | <u>August 31, 2014</u> |
|---|--------------------------|--------------------------|
| Total Pension Liability | \$ 163,887,375,172 | \$ 159,496,075,886 |
| Less: Plan Fiduciary Net Position | (128,538,706,212) | (132,779,243,085) |
| Net Pension Liability | <u>\$ 35,348,668,960</u> | <u>\$ 26,716,832,801</u> |
| Net Position as percentage of Total Pension Liability | 78.43% | 83.25% |

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778 or by downloading the report from the TRS internet website, www.trs.texas.gov, under the TRS publication heading.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employees contributed amounts to the plan during the year. Per Texas Insurance Code, Chapters 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 are shown in the table below for fiscal years 2016-2014.

| Contribution Rates | | | |
|---------------------------|----------------------|--------------|-----------------|
| <u>Year</u> | <u>Active Member</u> | <u>State</u> | <u>District</u> |
| 2016 | 0.65% | 1.00% | 0.55% |
| 2015 | 0.65% | 1.00% | 0.55% |
| 2014 | 0.65% | 1.00% | 0.55% |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

G. School District Retiree Health Plan (Continued)

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 22,698 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 8,022 for subsidies for Medicare Part D and Early Retirement Reinsurance Programs.

H. Risk Management

Health Care

During the year ended, employees of the Fruitvale Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 225 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a TRS Activecare (Aetna). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Fruitvale Independent School District and the TRS Activecare (Aetna) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available for the year ended December 31, 2015, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

During the year ended, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of year end, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District participates in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund. The District is partially self funded to a loss fund maximum of \$ 17,481 for the 15-16 fiscal year. Additionally, the District incurred fixed costs of \$ 8,294 for their share of claims administration, loss control, record keeping and cost of excess insurance.

Claims administration is provided by Claims Administrative Services, Inc. Reinsurance is provided for aggregate claim losses exceeding \$ 225,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

H. Risk Management (Continued)

The accrued liability for workers compensation self insurance of \$ 12,370 includes \$ 4,595 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuary calculation.

Changes in the workers' compensation claims liability amounts in fiscal periods 2016 and 2015 are represented below:

| | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|
| Claims Payable - Beginning | \$ 15,483 | \$ 26,258 |
| Claims Incurred and Changes in Estimate | (883) | (6,538) |
| Claim Payments | <u>(2,230)</u> | <u>(4,237)</u> |
| Claims Payable - Ending | <u>\$ 12,370</u> | <u>\$ 15,483</u> |

Other 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, the District purchased commercial insurance to cover these liabilities. There were not significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Litigation

The District is not involved in any litigation as of year end.

J. Commitments and 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 collectability of any related receivable at year end, 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.

K. Interfund Balances and Activities

Interfund Transfers

The composition of transfers between funds occurring during the year ended, is as follows:

| <u>Transfers To</u> | <u>Transfers From</u> | <u>Amount</u> | <u>Reason</u> |
|---------------------|-----------------------|---------------|-----------------|
| Debt Service Fund | General Fund | \$ 34,859 | Debt Retirement |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

L. Revenue from Local and Intermediate Sources

During the year ended, the District received revenue from local and intermediate sources consisting of the following:

| | General | Other Governmental | Totals |
|---|-------------------|-----------------------|-------------------|
| Property Tax Collections | \$ 518,600 | \$ 49 | \$ 518,649 |
| Investment Income | 20,764 | 181 | 20,945 |
| Food Service Income | - | 27,486 | 27,486 |
| Cocurricular/Extracurricular Activities | 18,355 | 20,684 | 39,039 |
| Other | 16,375 | 27,660 | 44,035 |
| Totals | \$ 574,094 | \$ 76,060 | \$ 650,154 |

M. Receivables

Receivables at year end, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

| | General | Other Governmental | Totals |
|-----------------------------------|-------------------|-----------------------|-------------------|
| Due from Other Governments | \$ 293,303 | \$ 128,488 | \$ 421,791 |
| Property Taxes Receivable | 46,858 | 302 | 47,160 |
| Less: Allowance for Uncollectible | | | |
| Property Taxes | (4,686) | (30) | (4,716) |
| Other Receivables | 2,358 | 12 | 2,370 |
| Net Receivables | \$ 337,833 | \$ 128,772 | \$ 466,605 |

N. Subsequent Events

The District's management has evaluated subsequent events through December 12, 2016, the date which the financial statements were available for use.

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

O. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle-up with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

| | Available | Foundation | IFA | EDA |
|-------------------------------------|------------------|---------------------|------------------|-------------|
| CY Summary of Finances (SOF) | \$ 63,587 | \$ 2,838,793 | \$ 51,501 | Not |
| August Instructional Days Change | 4,028 | 36,533 | - | Eligible |
| Prior Period Settle-ups | - | (1,727) | - | |
| Financial Statement Earnings | \$ 67,615 | \$ 2,873,599 | \$ 51,501 | \$ - |

Financial Statement Classifications:

| | | | | |
|--------------------------------------|----------|------------|-------|------|
| August Instructional Days Receivable | \$ 6,161 | \$ 147,588 | \$ 10 | \$ - |
| SOF Receivable (Overpayment) * | - | (418,768) | - | - |

* Overpayments are reported as Unearned Revenue in the government-wide Statements and governmental fund type financial statements.

P. Compliance, Stewardship and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels:

| | Budget | Actual | Excess |
|----------------------------------|---------|----------|----------|
| General Fund: | | | |
| Food Service | \$ - | \$ 5,461 | \$ 5,461 |
| Plant Maintenance and Operations | 441,596 | 616,943 | 175,347 |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

Q. Change in Accounting Principles

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

- Statement No. 72, *Fair Value Measurement and Application*
 - Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
 - Statement No. 77, *Tax Abatement Disclosures*
- a) Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.
- b) The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.
- c) Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the District or any other government which affect the District's tax revenue.

REQUIRED SUPPLEMENTARY INFORMATION

FRUITVALE INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON-SCHEDULE
YEAR ENDED AUGUST 31, 2016

| Data Control Codes | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | |
|---|---|---------------------|---------------------|--|---------------------|
| | Original | Final | Actual | | |
| REVENUES | | | | | |
| 5700 | Local and Intermediate Sources | \$ 602,194 | \$ 602,194 | \$ 574,094 | \$ (28,100) |
| 5800 | State Program Revenues | 3,298,189 | 3,298,189 | 3,120,491 | (177,698) |
| 5900 | Federal Program Revenues | 65,000 | 65,000 | 138,716 | 73,716 |
| 5020 | Total Revenues | \$ 3,965,383 | \$ 3,965,383 | \$ 3,833,301 | \$ (132,082) |
| EXPENDITURES | | | | | |
| Instruction and Instructional Related Services: | | | | | |
| 0011 | Instruction | \$ 2,230,805 | \$ 2,230,805 | \$ 2,152,778 | \$ 78,027 |
| 0012 | Instructional Resources and Media Services | 98,918 | 98,918 | 95,784 | 3,134 |
| 0013 | Curriculum and Staff Development | 36,298 | 28,798 | 14,229 | 14,569 |
| | Total Instruction and Instr. Related Services | <u>\$ 2,366,021</u> | <u>\$ 2,358,521</u> | <u>\$ 2,262,791</u> | <u>\$ 95,730</u> |
| Instructional and School Leadership: | | | | | |
| 0023 | School Leadership | \$ 227,348 | \$ 227,348 | \$ 219,312 | \$ 8,036 |
| | Total Instructional and School Leadership | <u>\$ 227,348</u> | <u>\$ 227,348</u> | <u>\$ 219,312</u> | <u>\$ 8,036</u> |
| Support Services - Student (Pupil): | | | | | |
| 0031 | Guidance, Counseling and Evaluation Services | \$ 183,685 | \$ 183,685 | \$ 159,334 | \$ 24,351 |
| 0033 | Health Services | 75,123 | 75,123 | 71,773 | 3,350 |
| 0034 | Student (Pupil) Transportation | 107,601 | 107,601 | 97,784 | 9,817 |
| 0035 | Food Service | - | - | 5,461 | (5,461) |
| 0036 | Cocurricular/Extracurricular Activities | 198,638 | 198,638 | 183,902 | 14,736 |
| | Total Support Services - Student (Pupil) | <u>\$ 565,047</u> | <u>\$ 565,047</u> | <u>\$ 518,254</u> | <u>\$ 46,793</u> |
| Administrative Support Services: | | | | | |
| 0041 | General Administration | \$ 219,975 | \$ 219,975 | \$ 218,823 | \$ 1,152 |
| | Total Administrative Support Services | <u>\$ 219,975</u> | <u>\$ 219,975</u> | <u>\$ 218,823</u> | <u>\$ 1,152</u> |
| Support Services - Nonstudent Based: | | | | | |
| 0051 | Plant Maintenance and Operations | \$ 420,356 | \$ 441,596 | \$ 616,943 | \$ (175,347) |
| 0052 | Security and Monitoring Services | 3,200 | 3,200 | 2,945 | 255 |
| 0053 | Data Processing Services | 135,454 | 150,953 | 142,112 | 8,841 |
| | Total Support Services - Nonstudent Based | <u>\$ 559,010</u> | <u>\$ 595,749</u> | <u>\$ 762,000</u> | <u>\$ (166,251)</u> |
| Intergovernmental Charges: | | | | | |
| 0093 | Payments for Shared Service Arrangements | \$ 650 | \$ 650 | \$ 603 | \$ 47 |
| 0099 | Other Intergovernmental Charges | 15,500 | 15,500 | 12,606 | 2,894 |
| | Total Intergovernmental Charges | <u>\$ 16,150</u> | <u>\$ 16,150</u> | <u>\$ 13,209</u> | <u>\$ 2,941</u> |
| 6030 | Total Expenditures | \$ 3,953,551 | \$ 3,982,790 | \$ 3,994,389 | \$ (11,599) |
| 1100 | Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 11,832</u> | <u>\$ (17,407)</u> | <u>\$ (161,088)</u> | <u>\$ (143,681)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| 7913 | Issuance of Capital Leases | \$ - | \$ - | \$ 52,746 | \$ 52,746 |
| 7914 | Issuance of Non-Current Debt | - | - | 139,554 | 139,554 |
| 8911 | Transfers Out | - | - | (34,859) | (34,859) |
| 7080 | Net Other Financing Sources (Uses) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 157,441</u> | <u>\$ 157,441</u> |
| 1200 | Net Change in Fund Balance | \$ 11,832 | \$ (17,407) | \$ (3,647) | \$ 13,760 |
| 0100 | Fund Balance - Beginning (September 1) | 2,260,227 | 2,260,227 | 2,260,227 | - |
| 3000 | Fund Balance - Ending (August 31) | \$ 2,272,059 | \$ 2,242,820 | \$ 2,256,580 | \$ 13,760 |

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

| | 2016 | 2015 |
|--|--------------|--------------|
| District's proportion of the net pension liability | 0.0029952% | 0.0017655% |
| District's proportionate share of the net pension liability | \$ 1,058,763 | \$ 471,589 |
| State's proportionate share of the net pension liability associated with the District | 1,800,376 | 1,477,900 |
| Total | \$ 2,859,139 | \$ 1,949,489 |
| District's covered-employee payroll (for Measurement Year) | \$ 2,830,362 | \$ 2,568,400 |
| District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll | 37.41% | 18.36% |
| Plan fiduciary net position as a percentage of the total pension liability | 78.43% | 83.25% |

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 LAST 10 FISCAL YEARS

| | 2016 | 2015 |
|--|--------------|--------------|
| Contractually required contributions | \$ 93,968 | \$ 86,813 |
| Contributions in relations to the contractual required contributions | (93,968) | (86,813) |
| Contribution deficiency (excess) | \$ - | \$ - |
| District's covered employee payroll | \$ 2,603,216 | \$ 2,830,362 |
| Contributions as a percentage of covered employee payroll | 3.61% | 3.07% |

GASB Statement 68, paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014 - August 31, 2015.

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2016

A. Budget

The official budget was prepared for adoption for all Government Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

B. Defined Benefit Pension Plan

A. Changes of Assumptions

Economic Assumptions

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

FRUITVALE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2016

A. Changes of Assumptions (Continued)

Mortality Assumptions

- e) 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.
- f) 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.
- g) 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

- h) 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.
- i) 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 termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- j) Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- k) 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.
- l) 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

- m) 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.

B. Changes of Benefit Terms

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

OTHER SUPPLEMENTARY INFORMATION

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED AUGUST 31, 2013

| Tax Roll Year | Last Ten Years Ended August 31 | 1 Tax Rates | | 2 Debt Service | 3 Assessed/Appraised Value For School Tax Purposes | 10 Beginning Balance 9/1/2015 | 20 Current Year's Total Levy | 30 Maintenance Tax Collections | 30a Debt Service Tax Collections | 40 Entire Year's Adjustments | 50 Ending Balance 8/31/2016 |
|--------------------|--------------------------------|-------------|---------|----------------|--|-------------------------------|------------------------------|--------------------------------|----------------------------------|------------------------------|-----------------------------|
| | | Maintenance | Various | | | | | | | | |
| XXXX | 2007 and Prior Years | Various | Various | Various | 2,899 \$ | - \$ | 101 \$ | 5 \$ | (142) | 2,651 | |
| 2007 | 2008 | 1.04000 | 0.07070 | 0.07070 | 55,397,195 | 603 | - | - | - | 603 | |
| 2008 | 2009 | 1.04000 | 0.07070 | 0.07070 | 61,562,388 | 1,372 | 113 | 8 | - | 1,251 | |
| 2009 | 2010 | 1.04000 | 0.07070 | 0.07070 | 56,287,977 | 1,381 | 171 | 12 | 1 | 1,199 | |
| 2010 | 2011 | 1.17000 | 0.00000 | 0.00000 | 59,577,897 | 2,145 | 732 | - | (1) | 1,412 | |
| 2011 | 2012 | 1.17000 | 0.00000 | 0.00000 | 52,513,846 | 3,539 | 1,115 | - | - | 2,424 | |
| 2012 | 2013 | 1.17000 | 0.00000 | 0.00000 | 58,511,363 | 5,460 | 2,610 | - | - | 2,850 | |
| 2013 | 2014 | 1.17000 | 0.00000 | 0.00000 | 56,024,701 | 10,794 | 5,200 | - | (1) | 5,593 | |
| 2014 | 2015 | 1.17000 | 0.00000 | 0.00000 | 52,660,536 | 14,945 | 7,215 | - | (922) | 6,808 | |
| 2015 | 2016 | 1.17000 | 0.00000 | 0.00000 | 44,426,689 | - | 519,792 | 490,438 | (6,985) | 22,369 | |
| 1000 TOTALS | | | | | | \$ 43,138 \$ | \$ 519,792 \$ | \$ 507,695 \$ | \$ 25 \$ | (8,050) \$ | \$ 47,160 |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED AUGUST 31, 2016

| Data Control Codes | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) | |
|-------------------------------------|---|-------------------|-------------------|---|--------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| 5700 | Local and Intermediate Sources | \$ 43,500 | \$ 43,500 | \$ 27,487 | \$ (16,013) |
| 5800 | State Program Revenues | 8,039 | 8,039 | 1,350 | (6,689) |
| 5900 | Federal Program Revenues | 224,000 | 224,000 | 213,616 | (10,384) |
| 5020 | Total Revenues | \$ 275,539 | \$ 275,539 | \$ 242,453 | \$ (33,086) |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Support Services - Student (Pupil): | | | | | |
| 0035 | Food Services | \$ 285,128 | \$ 285,128 | \$ 280,045 | \$ 5,083 |
| | Total Support Services - Student (Pupil) | \$ 285,128 | \$ 285,128 | \$ 280,045 | \$ 5,083 |
| 6030 | Total Expenditures | \$ 285,128 | \$ 285,128 | \$ 280,045 | \$ 5,083 |
| 1100 | Excess (Deficiency) of Revenues Over Expenditures | \$ (9,589) | \$ (9,589) | \$ (37,592) | \$ (28,003) |
| 1200 | Net Change in Fund Balance | \$ (9,589) | \$ (9,589) | \$ (37,592) | \$ (28,003) |
| 0100 | Fund Balance - Beginning (September 1) | 44,119 | 44,119 | 44,119 | - |
| 3000 | Fund Balance - Ending (August 31) | \$ 34,530 | \$ 34,530 | \$ 6,527 | \$ (28,003) |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2016

| Data Control Codes | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) | |
|---------------------------------------|---|--------------------|------------------|---|-------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| 5700 | Local and Intermediate Sources | \$ 65 | \$ 65 | \$ 95 | \$ 30 |
| 5800 | State Program Revenues | 47,811 | 47,811 | 51,501 | 3,690 |
| 5020 | Total Revenues | \$ 47,876 | \$ 47,876 | \$ 51,596 | \$ 3,720 |
| EXPENDITURES | | | | | |
| Debt Service: | | | | | |
| 0071 | Principal on Long-term Debt | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ - |
| 0072 | Interest on Long-term Debt | 25,100 | 25,100 | 25,100 | - |
| 0073 | Debt Issuance Costs and Fees | 1,250 | 1,250 | 400 | 850 |
| | Total Debt Service | \$ 86,350 | \$ 86,350 | \$ 85,500 | \$ 850 |
| 6030 | Total Expenditures | \$ 86,350 | \$ 86,350 | \$ 85,500 | \$ 850 |
| 1100 | Excess (Deficiency) of Revenues Over Expenditures | \$ (38,474) | \$ (38,474) | \$ (33,904) | \$ 4,570 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| 7915 | Transfers in | \$ - | \$ 38,474 | \$ 34,859 | \$ (3,615) |
| 7080 | Net Other Financing Sources (Uses) | \$ - | \$ 38,474 | \$ 34,859 | \$ (3,615) |
| 1200 | Net Change in Fund Balance | \$ (38,474) | \$ - | \$ 955 | \$ 955 |
| 0100 | Fund Balance - Beginning (September 1) | 114 | 114 | 114 | - |
| 3000 | Fund Balance - Ending (August 31) | \$ (38,360) | \$ 114 | \$ 1,069 | \$ 955 |

FRUITVALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2016

| <u>Data Control Codes</u> | | <u>Response</u> |
|-----------------------------------|---|-----------------|
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end? | No |
| SF4 | Was there an unmodified opinion in the annual Financial Report on the financial statements as a whole? | Yes |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds? | No |
| SF7 | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? | Yes |
| SF8 | Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship? | Yes |
| SF10 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end. | \$ 9,826 |
| SF11 | Net Pension Assets (1920) at fiscal year-end. | \$ -0- |
| SF12 | Net Pension Liabilities (2540) at fiscal year-end. | \$ 1,058,763 |
| SF13 | Pension Expense (6147) at fiscal year-end. | \$ 43,590 |