

**FLOUR BLUFF INDEPENDENT
SCHOOL DISTRICT**

Annual Financial Report

For the Year Ended August 31, 2016

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company

Certified Public Accountants

5934 S. Staples, Suite 201

Corpus Christi, Texas 78413

Flour Bluff Independent School District
Annual Financial Report
For The Year Ended August 31, 2016

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Introductory Section

CERTIFICATE OF BOARD

Flour Bluff Independent School District
Name of School District

Nueces
County

178-914
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ✓ approved _____ disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the 5th day of January, 2017.

Michael D. Morgan
Signature of Board Secretary

Shawn W. Egan
Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Strealy CPA

David Morales CPA

Jerry D. Spence CPA

Professional Associates:

Betty Morales, CPA

Amy Twardowski, CPA

Erika M. Post

Greg Morales

Daniel Ibarra

Dudley Gowland, CPA (1917-2015)

Independent Auditor's Report

To the Board of Trustees
Flour Bluff Independent School District
2505 Waldron Road
Corpus Christi, Texas 78418

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

5934 S. Staples, Suite 201 Corpus Christi, Texas 78413

Phone: (361) 993-1000 Fax: (361) 991-2880 www.gowland-cpa.com

Members of the American Institute and Texas Society of Certified Public Accountants

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 Flour Bluff Independent School District as of August 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents 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 Flour Bluff Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F -- Audit Requirements (Uniform Guidance) and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

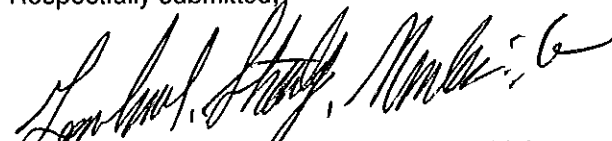
The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 on our consideration of Flour Bluff Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Flour Bluff Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Gowland, Strealy, Morales & Company, PLLC

Corpus Christi, Texas
November 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$58,282,005 at August 31, 2016.
- During the year, the District's expenses were \$1,028,272 less than the \$56,695,921 generated in taxes and other revenues for governmental activities.
- Based on Board of Trustees' approval, the District spent \$13,903,287 in capital assets. This was comprised of several improvements to district buildings, new science and fine arts additions, athletic renovations and additions, new primary library, central office storage, HVAC and technology improvements. These improvements were funded by both general and bond funds. The bond program is a result of the successful bond election in May of 2013. This program is projected to run through 2017. The district also purchased three new buses in 2015-2016. Buses were purchased from the general fund.
- The general fund reported a fund balance this year of \$20,527,703, an increase of \$187,808. The increase in fund balance was due mainly to the district's conservative budgeting process along with factors such as, an increase in property values and a small increase in state funding.

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 food service.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

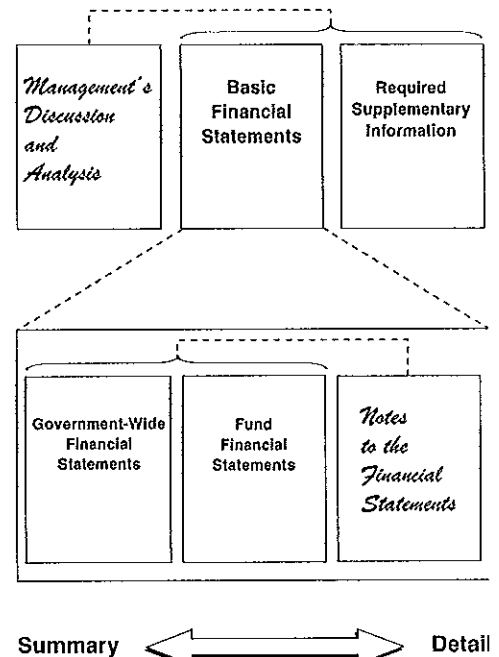


Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	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
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
Accounting basis and measurement focus	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
Type of asset/liability information	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
Type of inflow/outflow information	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

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.

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 is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

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 three 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 at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. 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 and a statement of changes in 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

Net position. The District's combined net position were \$58,282,005 August 31, 2016. (See Table A-1)

Table A-1
The District's Net Position

	Governmental Activities		Change
	2016	2015	2016-2015
Current and Other Assets	\$ 52,288,061	\$ 60,449,711	\$ (8,161,650)
Capital and Non-Current	67,449,043	55,751,704	11,697,339
Total Assets	119,737,104	116,201,415	3,535,689
Deferred Outflows Related to Pensions	5,394,559	1,296,995	4,097,564
Current Liabilities	5,693,968	3,186,501	2,507,467
Noncurrent Liabilities	60,353,915	55,517,959	4,835,956
Total Liabilities	66,047,883	58,704,460	7,343,423
Deferred Inflows Related to Pensions	801,775	1,540,218	(738,443)
Net Assets Invested in Capital			
Assets net of related debt	40,946,204	38,094,749	2,851,455
Restricted	3,047,599	2,896,330	151,269
Unrestricted	14,288,202	16,262,653	(1,974,451)
Total Net Position	\$ 58,282,005	\$ 57,253,732	\$ 1,028,273

Net position – Investment in Capital Assets net of related debt is \$40,946,204. The District's restricted net position includes state and federal programs, debt service, capital projects and campus activities. The \$14,288,202 of unrestricted net position represents resources available for investments, capital projects or programs.

Changes in net position. The District's total revenues were \$56.7 million. A significant portion, 55%, of the District's revenue comes from taxes, 27% comes from grants and contributions not restricted to specific programs.

The total cost of all programs and services was \$55.7 million; 62% of these costs are for direct student services, which include: instruction; instructional resources; guidance and counseling; social services; health services and co-curricular activities.

Governmental Activities

- The District's maintenance & operations tax rate remained at \$1.04. The total tax rate of \$1.1544 allowed for total tax revenue including taxes collected for the payment of voter-approved bonded indebtedness of \$30,798,374 up from \$29,954,531 in the prior year. The increase was primarily attributed to the increase in net appraised values. The district's tax collection rate was 97%, a slight decrease from 98%.
- Total Net Appraised Value totaled \$2,744,362,524 increasing from \$2,650,595,002 the prior year.

Table A-2
Changes in the District's Net Assets

	Governmental Activities		Total Change 2016-2015	Total Percentage Change
	2016	2015		
Program Revenues:				
Charges for Services	\$ 1,736,057	\$ 1,759,865	\$ (23,808)	
Operating Grants and Contributions	7,437,410	7,913,615	(476,205)	
General Revenues			-	
Property Taxes	31,279,831	29,954,531	1,325,300	
State Aid – Formula	15,237,102	15,046,878	190,224	
Investment Earnings	291,434	142,939	148,495	
Other	714,087	770,822	(56,735)	
Total Revenues	<u>56,695,921</u>	<u>55,588,650</u>	<u>1,107,271</u>	2.0%
Instruction	29,460,398	28,039,446	1,420,952	
Instructional Resources and Media Services	655,768	599,092	56,676	
Curriculum Dev. And Instructional Staff Dev.	342,123	374,352	(32,229)	
Instructional Leadership	1,383,013	1,247,115	135,898	
School Leadership	2,551,046	2,398,321	152,725	
Guidance, Counseling and Evaluation Services	1,875,440	1,740,849	134,591	
Social Work Services	99,894	90,005	9,889	
Health Services	395,090	393,802	1,288	
Student (Pupil) Transportation	1,918,920	1,722,895	196,025	
Food Services	2,941,857	2,806,502	135,355	
Curricular/Extracurricular Activities	2,335,111	2,315,399	19,712	
General Administration	1,963,983	1,840,879	123,104	
Plant Maintenance & Oper.	5,554,741	5,344,443	210,298	
Security & Monitoring Svcs.	604,089	540,941	63,148	
Data Processing Services	919,235	912,882	6,353	
Community Services	64,890	53,783	11,107	
Debt Service	2,238,326	2,269,026	(30,700)	
Bond Issuance Costs and Fees	800	800	-	
Facilities Acquisition and Construction	76,754	111,267	(34,513)	
Payments Related to Shared Service Arrangements	116,075	92,647	23,428	
Payments to Juvenile Justice Alternative Ed. Program	170,096	169,856	240	
Total Expenses	<u>55,667,649</u>	<u>53,064,302</u>	<u>2,603,347</u>	4.9%
Change in Net Position	1,028,272	2,524,348	(1,496,076)	
Net Position Beginning	57,253,733	60,434,048	(3,180,315)	
Adjustment to Initially apply GASB Statement 68	-	(5,704,663)	5,704,663	
Net Position Beginning as Restated	57,253,733	54,729,385	2,524,348	
Net Position Ending	<u>\$ 58,282,005</u>	<u>\$ 57,253,733</u>	<u>\$ 1,028,272</u>	1.8%

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$55,667,649.
- However, the amount that our taxpayers paid for these activities through property taxes was \$31,279,831.
- Some of the cost was paid by those who directly benefited from the programs; \$1,736,057, or by grants and contributions \$7,437,410.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2016	2015		2016	2015	
Instruction	\$ 29,460,398	\$ 28,039,446	5.1%	\$ 25,797,807	\$ 23,757,944	8.6%
School Leadership	2,551,046	2,398,321	6.4%	2,311,922	2,166,877	6.7%
General Administration	1,963,983	1,840,879	6.7%	1,774,469	1,655,328	7.2%
Plant Maintenance & Operations	5,554,741	5,344,443	3.9%	4,972,351	4,781,746	4.0%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Total revenues from governmental fund types increased approximately \$35,568 over last year. Local revenues increased by \$1,380,490 over the preceding year, and state revenues decreased by \$1,462,284. Federal Program revenue increased \$117,361. An increase in the comptroller's tax value for the district resulted in decreased state funding. Increased property value was the main reason for the local revenue increase. Once again as in recent years, local taxpayer effort continues to exceed state funding in paying for the education of our students.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget on a monthly basis as needed when funds were transferred across funds and/or functions. Even with these adjustments, actual expenditures were \$2,250,083 or 5% below final budget amounts. After all transfers and adjustments were made and capital projects funded, the result was an increase to fund balance in the amount of \$187,808 at fiscal year-end.

Total Revenue was \$558,846 above the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested \$91 million in a broad range of capital assets, including land, equipment, buildings, and vehicles before depreciation. (See Table A-4.) This amount represents an increase before depreciation (including additions and adjustments) of \$13.5 million or 17.4% over last year.

Table A-4
District's Capital Assets

	Governmental Activities		Total Change
	2016	2015	2016-2015
Land	\$ 1,774,555	\$ 1,773,317	\$ 1,238
Buildings and improvements	72,241,347	54,068,601	18,172,746
Construction in Progress	8,594,154	13,281,974	(4,687,820)
Furniture and Equipment	8,601,697	8,558,696	43,001
Totals at historical cost	<u>91,211,753</u>	<u>77,682,588</u>	<u>13,529,165</u>
Total accumulated depreciation	<u>23,796,590</u>	<u>21,971,737</u>	<u>1,824,853</u>
Net capital assets	\$ <u>67,415,163</u>	\$ <u>55,710,851</u>	\$ <u>11,704,312</u>

More detailed information about the District's capital assets is presented in the Notes to the financial statements.

Long Term Debt

At year-end the District had \$49.6 million in bonds and other debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

	Governmental Activities	
	2016	2015
Compensated Absences	202,279	211,070
Premium	271,832	281,900
Bonds payable	\$ 49,105,000	\$ 49,990,000
	<u>49,579,111</u>	<u>50,482,970</u>
Less current portion	920,000	885,000
Total Long-Term Debt	\$ <u>48,659,111</u>	\$ <u>49,597,970</u>

Net Pension Liability

The District implemented GASB Statement No. 68 during the year ended August 31, 2015. A prior period adjustment of \$5,704,663 was required to record the beginning balance of the pension liability for the year ended August 31, 2014. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

These indicators were taken into account when adopting the general fund budget for 2017:

- Appraisal property values were up \$194 million or 7% from prior year.
- The projected general fund spending per student is \$7,900.
- The ADA was budgeted at 5,430.
- The tax rate is 1.155 per \$100 valuation. This is roughly one half of a cent increase over the prior year.
- The district had a successful bond election in May of 2013 for \$48,040,000. This program is projected to go through 2017.

Projected revenue in the general fund is expected to be \$45,112,680.

Factors that contributed to the 2016-2017 revenue budget are as follows:

- General Fund state revenue decreased over the prior year as a result of a larger than expected increase to the Comptroller's Property Tax Division value.
- Tax revenue from local property values is expected to be more than last year due to an increase in values.

Expenditures were budgeted at \$45,112,680, which is \$1.275 million dollars more than last year's expenditures. Factors that contributed to the 2016-2017 expenditure budget are as follows:

- The District budgeted a 2.5% raise which increased payroll by \$850,000.
- The teacher hiring scale was adjusted for a starting salary of \$44,000.
- The district is adding 2 staff members for 2016-2017. These additions are due to student growth and needs in the Special Education.
- The district began an self-funded health insurance plan in January 2016 and it will continue.
- The self-funded dental insurance plan will continue through December 2016.

If these estimates are realized, the District's budgetary general fund balance is expected to change only by Board approved capital and special projects funding at the close of 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Assistant Superintendent for Business Management.

Basic Financial Statements

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION**

AUGUST 31, 2016

Data Control Codes		1	Governmental Activities
ASSETS:			
1110	Cash and Cash Equivalents	\$	29,081,026
1120	Current Investments		21,040,451
1225	Property Taxes Receivable (Net)		648,426
1240	Due from Other Governments		688,793
1250	Accrued Interest		76,102
1290	Other Receivables (Net)		95,367
1300	Inventories		33,272
1410	Unrealized Expenses		624,624
Capital Assets:			
1510	Land		1,774,555
1520	Buildings and Improvements, Net		54,548,453
1530	Furniture and Equipment, Net		2,531,881
1580	Construction in Progress		8,594,154
1000	Total Assets		<u>119,737,104</u>
DEFERRED OUTFLOWS OF RESOURCES:			
1705	Deferred Outflow Related to Pensions		5,394,559
1700	Total Deferred Outflows of Resources		<u>5,394,559</u>
LIABILITIES:			
2110	Accounts Payable		3,065,322
2165	Accrued Liabilities		1,891,236
2180	Due to Other Governments		681,856
2300	Unearned Revenue		55,554
Noncurrent Liabilities:			
2501	Due Within One Year		920,000
2502	Due in More Than One Year		48,659,110
2540	Net Pension Liability		10,774,805
2000	Total Liabilities		<u>66,047,883</u>
DEFERRED INFLOWS OF RESOURCES:			
2605	Deferred Inflow Related to Pensions		801,775
2600	Total Deferred Inflows of Resources		<u>801,775</u>
NET POSITION:			
3200	Net Investment in Capital Assets		40,946,204
Restricted For:			
3820	State and Federal Programs		783,939
3850	Debt Service		1,440,694
3870	Campus Activities		822,966
3900	Unrestricted		14,288,202
3000	Total Net Position	\$	<u>58,282,005</u>

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Program Revenues Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 29,460,398	\$ 188,315	\$ 3,474,276	\$ (25,797,807)
12	Instructional Resources and Media Services	655,768	17,767	124,175	(513,826)
13	Curriculum and Staff Development	342,123	952	166,978	(174,193)
21	Instructional Leadership	1,383,013	7,349	131,902	(1,243,762)
23	School Leadership	2,551,046	20,876	218,248	(2,311,922)
31	Guidance, Counseling, & Evaluation Services	1,875,440	6,776	348,829	(1,519,835)
32	Social Work Services	99,894	289	3,810	(95,795)
33	Health Services	395,090	2,713	32,644	(359,733)
34	Student Transportation	1,918,920	11,503	147,585	(1,759,832)
35	Food Service	2,941,857	1,025,502	1,785,759	(130,596)
36	Cocurricular/Extracurricular Activities	2,335,111	368,882	47,029	(1,919,200)
41	General Administration	1,963,983	13,312	176,202	(1,774,469)
51	Facilities Maintenance and Operations	5,554,741	60,005	522,385	(4,972,351)
52	Security and Monitoring Services	604,089	4,051	51,980	(548,058)
53	Data Processing Services	919,235	6,294	80,754	(832,187)
61	Community Services	64,890	241	30,391	(34,258)
72	Interest on Long-term Debt	2,238,326	--	78,684	(2,159,642)
73	Bond Issuance Costs and Fees	800	--	--	(800)
81	Capital Outlay	76,754	--	--	(76,754)
93	Payments Related to Shared Services Arrangements	116,075	--	--	(116,075)
95	Payments to Juvenile Justice Alternative Ed. Programs	170,096	1,230	15,779	(153,087)
TG	Total Governmental Activities	55,667,649	1,736,057	7,437,410	(46,494,182)
TP	Total Primary Government	\$ 55,667,649	\$ 1,736,057	\$ 7,437,410	(46,494,182)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				28,190,147
DT	Property Taxes, Levied for Debt Service				3,089,684
IE	Investment Earnings				291,434
GC	Grants and Contributions Not Restricted to Specific Programs				15,237,102
MI	Miscellaneous				714,087
TR	Total General Revenues				47,522,454
CN	Change in Net Position				1,028,272
NB	Net Position - Beginning				57,253,733
NE	Net Position - Ending				\$ 58,282,005

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2016

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 13,000,239	\$ 12,591,058	\$ 2,852,541	\$ 28,443,838
1120 Current Investments	9,029,348	12,011,103	--	21,040,451
1225 Taxes Receivable, Net	597,231	--	51,195	648,426
1240 Due from Other Governments	446,181	--	242,612	688,793
1250 Accrued Interest	22,901	53,201	--	76,102
1260 Due from Other Funds	1,244	--	--	1,244
1290 Other Receivables	82,845	--	--	82,845
1300 Inventories	13,188	--	20,084	33,272
1410 Unrealized Expenditures	619,187	--	5,437	624,624
1000 Total Assets	<u>23,812,364</u>	<u>24,655,362</u>	<u>3,171,869</u>	<u>51,639,595</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 114,338	\$ 2,940,155	\$ 10,751	\$ 3,065,244
2150 Payroll Deductions & Withholdings	17,747	--	--	17,747
2160 Accrued Wages Payable	1,873,489	--	--	1,873,489
2170 Due to Other Funds	--	--	1,244	1,244
2180 Due to Other Governments	681,856	--	--	681,856
2300 Unearned Revenue	--	--	55,554	55,554
2000 Total Liabilities	<u>2,687,430</u>	<u>2,940,155</u>	<u>67,549</u>	<u>5,695,134</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Revenue	597,231	--	51,196	648,427
2600 Total Deferred Inflows of Resources	<u>597,231</u>	<u>--</u>	<u>51,196</u>	<u>648,427</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 Inventories	13,913	--	20,084	33,997
3430 Prepaid Items	461,012	--	--	461,012
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	763,855	763,855
3480 Retirement of Long-Term Debt	--	--	1,440,694	1,440,694
3490 Other Restrictions of Fund Balance	--	--	828,491	828,491
Committed Fund Balances:				
3510 Construction	--	21,715,207	--	21,715,207
3540 Self-Insurance	200,000	--	--	200,000
Assigned Fund Balances:				
3550 Construction	4,000,000	--	--	4,000,000
3570 Capital Expenditures for Equipment	1,041,831	--	--	1,041,831
3590 Other Assigned Fund Balance	525,657	--	--	525,657
3600 Unassigned	14,285,290	--	--	14,285,290
3000 Total Fund Balances	<u>20,527,703</u>	<u>21,715,207</u>	<u>3,053,124</u>	<u>45,296,034</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 23,812,364</u>	<u>\$ 24,655,362</u>	<u>\$ 3,171,869</u>	<u>\$ 51,639,595</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 45,296,034
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.	67,415,164
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	648,427
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	683,512
Payables for bond principal which are not due in the current period are not reported in the funds.	(49,105,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(202,278)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(271,832)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(10,774,805)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(801,775)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	5,394,559
Rounding difference	(1)
Net position of governmental activities - Statement of Net Position	\$ <u>58,282,005</u>

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 28,807,156	\$ 147,293	\$ 5,008,031	\$ 33,962,480
5800 State Program Revenues	16,253,870	--	199,440	16,453,310
5900 Federal Program Revenues	1,005,350	--	4,136,613	5,141,963
5020 Total Revenues	<u>46,066,376</u>	<u>147,293</u>	<u>9,344,084</u>	<u>55,557,753</u>
EXPENDITURES:				
Current:				
0011 Instruction	25,373,392	--	1,989,636	27,363,028
0012 Instructional Resources and Media Services	489,878	--	116,142	606,020
0013 Curriculum and Staff Development	165,087	--	158,252	323,339
0021 Instructional Leadership	1,229,195	--	39,400	1,268,595
0023 School Leadership	2,327,353	--	11,870	2,339,223
0031 Guidance, Counseling, & Evaluation Services	1,459,240	--	260,590	1,719,830
0032 Social Work Services	91,561	--	142	91,703
0033 Health Services	361,215	--	1,386	362,601
0034 Student Transportation	1,884,046	--	--	1,884,046
0035 Food Service	37,669	--	2,764,375	2,802,044
0036 Cocurricular/Extracurricular Activities	1,620,812	--	624,932	2,245,744
0041 General Administration	1,831,449	--	5,300	1,836,749
0051 Facilities Maintenance and Operations	5,216,135	--	59,402	5,275,537
0052 Security and Monitoring Services	558,405	--	--	558,405
0053 Data Processing Services	871,849	--	--	871,849
0061 Community Services	33,636	--	27,322	60,958
0071 Principal on Long-term Debt	--	--	885,000	885,000
0072 Interest on Long-term Debt	--	--	2,248,394	2,248,394
0073 Bond Issuance Costs and Fees	--	--	800	800
0081 Capital Outlay	--	13,562,918	--	13,562,918
0093 Payments to Shared Service Arrangements	116,075	--	--	116,075
0095 Payments to Juvenile Justice Alternative	--	--	--	--
0095 Education Programs	170,096	--	--	170,096
6030 Total Expenditures	<u>43,837,093</u>	<u>13,562,918</u>	<u>9,192,943</u>	<u>66,592,954</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>2,229,283</u>	<u>(13,415,625)</u>	<u>151,141</u>	<u>(11,035,201)</u>
Other Financing Sources and (Uses):				
7915 Transfers In	--	1,921,475	--	1,921,475
8911 Transfers Out	(2,041,475)	--	--	(2,041,475)
7080 Total Other Financing Sources and (Uses)	<u>(2,041,475)</u>	<u>1,921,475</u>	<u>--</u>	<u>(120,000)</u>
1200 Net Change in Fund Balances	<u>187,808</u>	<u>(11,494,150)</u>	<u>151,141</u>	<u>(11,155,201)</u>
0100 Fund Balances - Beginning	20,339,895	33,209,357	2,901,983	56,451,235
3000 Fund Balances - Ending	<u>\$ 20,527,703</u>	<u>\$ 21,715,207</u>	<u>\$ 3,053,124</u>	<u>\$ 45,296,034</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds \$ (11,155,201)

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	13,903,287
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,198,975)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	66,268
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	885,000
The net revenue (expense) of internal service funds is reported with governmental activities.	412,842
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	8,792
Bond premiums are reported in the funds but not in the SOA.	10,068
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(903,809)
Rounding difference	1

Change in net position of governmental activities - Statement of Activities \$ 1,028,272

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****INTERNAL SERVICE FUNDS****AUGUST 31, 2016**

<u>Data Control Codes</u>		<u>Internal Service Funds</u>
ASSETS:		
Current Assets:		
1110	Cash and Cash Equivalents	\$ 637,188
Receivables:		
1290	Other Receivables (net)	12,522
	Total Current Assets	<u>649,710</u>
Noncurrent Assets:		
Capital Assets:		
1530	Furniture and Equipment	322,529
1570	Accumulated Depreciation	(288,649)
	Total Noncurrent Assets	<u>33,880</u>
1000	Total Assets	<u>683,590</u>
LIABILITIES:		
Current Liabilities:		
2110	Accounts Payable	\$ 78
	Total Current Liabilities	<u>78</u>
2000	Total Liabilities	<u>78</u>
NET POSITION:		
3200	Net Investment in Capital Assets	33,880
3900	Unrestricted	649,632
3000	Total Net Position	<u>\$ 683,512</u>

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		Internal Service Funds
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 3,258,928
5020	Total Revenues	<u>3,258,928</u>
	OPERATING EXPENSES:	
6100	<i>Payroll Costs</i>	189,988
6200	<i>Professional and Contracted Services</i>	118,304
6300	<i>Supplies and Materials</i>	32,421
6400	<i>Other Operating Costs</i>	2,625,373
6030	Total Expenses	<u>2,966,086</u>
	Income (Loss) before Contributions and Transfers	292,842
7915	<i>Transfers In</i>	<u>120,000</u>
1300	Change in Net Position	412,842
1300	Change in Net Position	412,842
0100	Total Net Position - Beginning	270,670
3300	Total Net Position - Ending	<u>\$ 683,512</u>

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2016**

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ --
<i>Cash Received from Grants</i>	--
<i>Cash Receipts (Payments) for Quasi-external</i>	
<i>Operating Transactions with Other Funds</i>	3,258,928
<i>Cash Payments to Employees for Services</i>	(189,915)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(2,777,844)
<i>Cash Payments for Grants to Other Organizations</i>	--
<i>Other Operating Cash Receipts (Payments)</i>	--
Net Cash Provided (Used) by Operating Activities	<u>291,169</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers From (To) Other Funds</i>	120,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>120,000</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Contributed Capital</i>	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	411,169
Cash and Cash Equivalents at Beginning of Year	226,019
Cash and Cash Equivalents at End of Year	<u>\$ 637,188</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ 292,842
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	6,973
<i>Provision for Uncollectible Accounts</i>	--
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(8,719)
<i>Decrease (Increase) in Inventories</i>	--
<i>Decrease (Increase) in Prepaid Expenses</i>	--
<i>Increase (Decrease) in Accounts Payable</i>	--
<i>Increase (Decrease) in Payroll Deductions</i>	73
<i>Increase (Decrease) in Accrued Wages Payable</i>	--
<i>Increase (Decrease) in Interfund Payables</i>	--
Total Adjustments	<u>(1,673)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 291,169</u>

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2016**

Data Control Codes	Agency Fund	Student Activity
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 201,035	
1000 Total Assets	<u>201,035</u>	
LIABILITIES:		
Current Liabilities:		
2190 <i>Due to Student Groups</i>	\$ 201,035	
2000 Total Liabilities	<u>201,035</u>	
NET POSITION:		
3000 Total Net Position	<u>\$ --</u>	

The accompanying notes are an integral part of this statement.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies

The basic financial statements of Flour Bluff Independent School District (the "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 ("Resource 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 has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position 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. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise 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.

Capital Projects Fund: This fund accounts for the bond proceeds and the related expenditures for the various projects approved in the bond issue.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

In addition, the District reports the following fund types:

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 used to report student activity funds and other resources held in a 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.

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

b. **Measurement Focus, Basis of Accounting**

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They 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, with the exception of property taxes, which are fully deferred because the amount collected after year end is considered immaterial. 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 general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. **Financial Statement Amounts**

a. **Cash and Cash Equivalents**

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

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

b. **Property Taxes**

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

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 1,063,072	\$ 91,128	\$ 1,154,200
Allowance	(465,841)	(39,933)	(505,774)
Net Taxes	<u>\$ 597,231</u>	<u>\$ 51,195</u>	<u>\$ 648,426</u>

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. **Inventories and Prepaid Items**

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. **Capital Assets**

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-100
Building Improvements	20
Vehicles	10
Office Equipment	3-15
Computer Equipment	3-15

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e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. 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.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, 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 "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net positions.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

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Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's . Committed amounts cannot be used for any other purpose unless the removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the . Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the or by an official or body to which the delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

k. Net Position Flow Assumption

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

l. Fund Balance Flow Assumptions

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

4. Pensions

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

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5. New Accounting Standards Adopted

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.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

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1. Cash Deposits:

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$29,282,055 and the bank balance was \$34,510,760. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2016 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	
US Government Agencies	N/A	\$ 4,999,885	Level I
Municipal Obligations	N/A	12,040,565	Level I
Certificates of Deposit	Various	4,000,000	Fully Insured
Total Investments		<u>\$ 21,040,450</u>	

3. Analysis of Specific Deposit and Investment Risks

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 rating 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.

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Investment securities are exposed to custodial credit 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.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

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TexSTAR

The District invests in the Texas Short Term Asset Reserve Program (TexSTAR), which 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. TexSTAR is managed by a five-member board of directors (Board). In accordance with the Public Funds Investment Act, TexSTAR maintains an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Advisory board members are appointed and serve at the will of the Board of Directors. J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Company (FSC) serve as co-administrators for TexSTAR under an agreement with the Board. JPMIM provides investment management services, and FSC provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. The business affairs of TexSTAR are managed by the Board in accordance with its bylaws. The bylaws set forth procedures governing the selection procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements. TexSTAR is rated AAAM by Standard and Poor's and is not operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which generally approximates the market value of the securities. The stated objective of TexSTAR is to maintain a stable \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,773,317	\$ 1,238	\$ --	\$ 1,774,555
Construction in progress	13,281,974	12,661,280	17,349,100	8,594,154
Total capital assets not being depreciated	<u>15,055,291</u>	<u>12,662,518</u>	<u>17,349,100</u>	<u>10,368,709</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	54,068,601	18,172,746	--	72,241,347
Equipment	3,708,205	59,797	181,820	3,586,182
Vehicles	4,850,492	357,325	192,302	5,015,515
Total capital assets being depreciated	<u>62,627,298</u>	<u>18,589,868</u>	<u>374,122</u>	<u>80,843,044</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,003,968)	(1,688,926)	--	(17,692,894)
Equipment	(2,614,498)	(249,159)	(181,820)	(2,681,837)
Vehicles	(3,353,270)	(260,891)	(192,302)	(3,421,859)
Total accumulated depreciation	<u>(21,971,736)</u>	<u>(2,198,976)</u>	<u>(374,122)</u>	<u>(23,796,590)</u>
Total capital assets being depreciated, net	<u>40,655,562</u>	<u>16,390,892</u>	<u>--</u>	<u>57,046,454</u>
Governmental activities capital assets, net	<u>\$ 55,710,853</u>	<u>\$ 29,053,410</u>	<u>\$ 17,349,100</u>	<u>\$ 67,415,163</u>

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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Equipment	322,529	--	--	322,529
Total capital assets being depreciated	322,529	--	--	322,529
Less accumulated depreciation for:				
Equipment	(281,675)	(6,973)	--	(288,648)
Total accumulated depreciation	(281,675)	(6,973)	--	(288,648)
Total capital assets being depreciated, net	40,854	(6,973)	--	33,881
Business-type activities capital assets, net	\$ 40,854	\$ (6,973)	\$ --	\$ 33,881

Depreciation was charged to functions as follows:

Instruction	\$ 1,116,333
Instructional Resources and Media Services	24,849
Curriculum and Staff Development	12,964
Instructional Leadership	52,406
School Leadership	96,666
Guidance, Counseling, & Evaluation Services	71,065
Social Work Services	3,785
Health Services	14,971
Student Transportation	260,891
Food Services	111,475
Extracurricular Activities	88,484
General Administration	74,421
Plant Maintenance and Operations	210,484
Security and Monitoring Services	22,891
Data Processing Services	34,832
Community Services	2,458
	<u>\$ 2,198,975</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2016, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 1,244	Short-term loans
	Total	<u>\$ 1,244</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2016, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Capital Projects Fund	\$ 1,921,475	Supplement other funds sources
General fund	Internal Service Fund	120,000	Supplement other funds sources
	Total	<u>\$ 2,041,475</u>	

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F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2016, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
2008 Unlimited Tax Refunding Bonds 3.5%-4%	2,890,000		525,000	2,365,000	550,000
2013 Unlimited Tax School Building Bonds 3%-5%	47,100,000		360,000	46,740,000	370,000
Total bond activities	\$ 49,990,000	\$ --	\$ 885,000	\$ 49,105,000	\$ 920,000
Premium	281,900		10,068	271,832	--
Compensated absences *	211,070		8,791	202,279	--
Total governmental activities	\$ 50,482,970	\$ --	\$ 903,859	\$ 49,579,111	\$ 920,000
Due within one year				920,000	
Due in more than one year				48,659,111	

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	
Claims and judgments	Governmental	
Net Pension Liability *	Governmental	
Claims and judgments	Business-type	

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 920,000	\$ 2,216,594	\$ 3,136,594
2018	960,000	2,183,494	3,143,494
2019	1,005,000	2,145,094	3,150,094
2020	1,050,000	2,104,893	3,154,893
2021	1,150,000	2,062,894	3,212,894
2022-2026	6,685,000	9,390,970	16,075,970
2027-2031	8,360,000	7,712,919	16,072,919
2032-2036	10,235,000	5,835,926	16,070,926
2037-2041	12,740,000	3,324,712	16,064,712
2042-2046	6,000,000	430,823	6,430,823
Totals	\$ 49,105,000	\$ 37,408,319	\$ 86,513,319

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3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2014, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
1998 Bond Issue	2,445,000
Total	<u>2,445,000</u>

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' 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 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.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the plan description in (1.) above.

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4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>		
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2016 Employer Contributions	\$ 899,835	
District's 2016 Member Contributions	\$ 2,285,132	
NECE 2015 On-Behalf Contributions to District	\$ 1,624,681	

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

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

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

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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

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

5. Actuarial Assumptions

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2015			
	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
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%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflat. Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & 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	100%		8.7%

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 net pension liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 16,882,063	\$ 10,774,805	\$ 5,687,809

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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

At August 31, 2016, the District reported a liability of \$10,774,805 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 10,774,805
State's proportionate share of the net pension liability associated with the District	<u>19,389,552</u>
Total	<u>\$ 30,164,357</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 employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0304815%, which was an increase (decrease) of 0.0116319% from its proportion measured as of August 31, 2014.

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

Economic Assumptions

- 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%

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.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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.

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

For the year ended August 31, 2016, the District recognized pension expense of \$2,762,699 and revenue of \$2,762,699 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 64,760	\$ 414,085
Changes in actuarial assumptions	272,188	384,398
Difference between projected and actual investment earnings	1,499,421	
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	2,658,355	3,292
District contributions paid to TRS subsequent to the measurement date	899,835	
Total	\$ <u>5,394,559</u>	\$ <u>801,775</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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

Year Ended August 31	Pension Expense Amount
2017	\$ 661,358
2018	\$ 661,358
2019	\$ 1,046,082
2020	\$ 378,646
2021	\$ 284,148
Thereafter	\$ --

I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$317,381, \$308,828, and \$296,249, respectively, the active member contributions were \$206,298, \$200,738, and \$192,562, respectively, and the District's contributions were \$194,442, \$190,847, and \$183,576, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$121,956, \$125,981, and \$77,385, respectively.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

J. Employee Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District contributed \$356 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable January 1, and terms of coverage and contribution costs are included in the contractual provisions.

In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Humana, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$150,000 and for aggregate loss. According to the latest actuarial opinion dated October 8, 2015, the unfunded claim benefit obligation included \$53,887 in reported claims that were unpaid and estimated incurred, but not reported, claims of \$45,842. Anticipated stop-loss coverage would cover \$100,615 of the unfunded claim benefit obligation.

K. Commitments and Contingencies

1. Contingencies

The District participates in 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, refunds of any money received may be required and the collectibility of any related receivable 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 basic financial statements for such contingencies.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 28,798,485	\$ 28,861,574	\$ 28,807,156	\$ (54,418)
5800	State Program Revenues	15,820,151	15,974,956	16,253,870	278,914
5900	Federal Program Revenues	671,000	671,000	1,005,350	334,350
5020	Total Revenues	45,289,636	45,507,530	46,066,376	558,846
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	25,759,094	25,710,345	25,373,392	336,953
0012	Instructional Resources and Media Services	519,578	518,577	489,878	28,699
0013	Curriculum and Staff Development	221,133	219,393	165,087	54,306
	Total Instruction & Instr. Related Services	26,499,805	26,448,315	26,028,357	419,958
Instructional and School Leadership:					
0021	Instructional Leadership	1,274,270	1,266,437	1,229,195	37,242
0023	School Leadership	2,457,880	2,445,896	2,327,353	118,543
	Total Instructional & School Leadership	3,732,150	3,712,333	3,556,548	155,785
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,413,373	1,496,988	1,459,240	37,748
0032	Social Work Services	89,863	95,859	91,561	4,298
0033	Health Services	403,984	404,011	361,215	42,796
0034	Student (Pupil) Transportation	2,121,891	2,045,001	1,884,046	160,955
0035	Food Services	39,311	45,311	37,669	7,642
0036	Cocurricular/Extracurricular Activities	1,611,056	1,750,030	1,620,812	129,218
	Total Support Services - Student (Pupil)	5,679,478	5,837,200	5,454,543	382,657
Administrative Support Services:					
0041	General Administration	2,021,539	2,011,871	1,831,449	180,422
	Total Administrative Support Services	2,021,539	2,011,871	1,831,449	180,422
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	5,652,123	5,655,720	5,216,135	439,585
0052	Security and Monitoring Services	568,799	605,071	558,405	46,666
0053	Data Processing Services	907,542	908,650	871,849	36,801
	Total Support Services - Nonstudent Based	7,128,464	7,169,441	6,646,389	523,052
Ancillary Services:					
0061	Community Services	31,689	40,784	33,636	7,148
	Total Ancillary Services	31,689	40,784	33,636	7,148
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	--	116,075	116,075	--
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	196,511	196,511	170,096	26,415
	Total Intergovernmental Charges	196,511	312,586	286,171	26,415
6030	Total Expenditures	45,289,636	45,532,530	43,837,093	1,695,437
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(25,000)	2,229,283	2,254,283

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Other Financing Sources (Uses):				
8911	Transfers Out	--	(2,041,475)	(2,041,475)	--
7080	Total Other Financing Sources and (Uses)	--	(2,041,475)	(2,041,475)	--
1200	Net Change in Fund Balance	--	(2,066,475)	187,808	2,254,283
0100	Fund Balance - Beginning	20,339,895	20,339,895	20,339,895	--
3000	Fund Balance - Ending	<u>\$ 20,339,895</u>	<u>\$ 18,273,420</u>	<u>\$ 20,527,703</u>	<u>\$ 2,254,283</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS **

	Fiscal Year	
	2016	2015
District's proportion of the net pension liability (asset)	0.030482%	0.018850%
District's proportionate share of the net pension liability (asset)	\$ 10,774,805	\$ 5,034,989
State's proportionate share of the net pension liability (asset) associated with the District	19,389,552	16,784,837
Total	<u>\$ 30,164,357</u>	<u>\$ 21,819,826</u>
District's covered-employee payroll	\$ 30,882,806	\$ 29,624,876
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.89%	17.00%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**EXHIBIT G-3***SCHEDULE OF DISTRICT CONTRIBUTIONS**TEACHER RETIREMENT SYSTEM**LAST TEN FISCAL YEARS **

	Fiscal Year	
	2016	2015
Contractually required contribution	\$ 899,835	\$ 891,847
Contributions in relation to the contractually required contribution	(899,835)	(891,847)
Contribution deficiency (excess)	\$ --	\$ --
District's covered-employee payroll	\$ 31,738,124	\$ 30,882,806
Contributions as a percentage of covered-employee payroll	2.84%	2.89%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2016

Budget

The official budget was prepared for adoption for all Governmental 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.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. 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.
- c. Prior to the beginning of the fiscal year, 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 that 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.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS**

AUGUST 31, 2016

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 1,411,846	\$ 1,440,695	\$ 2,852,541
1225 <i>Taxes Receivable, Net</i>	--	51,195	51,195
1240 <i>Due from Other Governments</i>	242,612	--	242,612
1300 <i>Inventories</i>	20,084	--	20,084
1410 <i>Unrealized Expenditures</i>	5,437	--	5,437
1000 <i>Total Assets</i>	<u>1,679,979</u>	<u>1,491,890</u>	<u>3,171,869</u>
LIABILITIES:			
<i>Current Liabilities:</i>			
2110 <i>Accounts Payable</i>	\$ 10,751	\$ --	\$ 10,751
2170 <i>Due to Other Funds</i>	1,244	--	1,244
2300 <i>Unearned Revenue</i>	55,554	--	55,554
2000 <i>Total Liabilities</i>	<u>67,549</u>	<u>--</u>	<u>67,549</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Deferred Revenue</i>	--	51,196	51,196
2600 <i>Total Deferred Inflows of Resources</i>	<u>--</u>	<u>51,196</u>	<u>51,196</u>
FUND BALANCES:			
<i>Nonspendable Fund Balances:</i>			
3410 <i>Inventories</i>	20,084	--	20,084
<i>Restricted Fund Balances:</i>			
3450 <i>Federal/State Funds Grant Restrictions</i>	763,855	--	763,855
3480 <i>Retirement of Long-Term Debt</i>	--	1,440,694	1,440,694
3490 <i>Other Restrictions of Fund Balance</i>	828,491	--	828,491
3000 <i>Total Fund Balances</i>	<u>1,612,430</u>	<u>1,440,694</u>	<u>3,053,124</u>
4000 <i>Total Liabilities, Deferred Inflow of Resources and Fund Balances</i>	<u>\$ 1,679,979</u>	<u>\$ 1,491,890</u>	<u>\$ 3,171,869</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

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

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,906,615	\$ 3,101,416	\$ 5,008,031
5800 <i>State Program Revenues</i>	120,756	78,684	199,440
5900 <i>Federal Program Revenues</i>	4,136,613	--	4,136,613
5020 <i>Total Revenues</i>	<u>6,163,984</u>	<u>3,180,100</u>	<u>9,344,084</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	1,989,636	--	1,989,636
0012 <i>Instructional Resources and Media Services</i>	116,142	--	116,142
0013 <i>Curriculum and Staff Development</i>	158,252	--	158,252
0021 <i>Instructional Leadership</i>	39,400	--	39,400
0023 <i>School Leadership</i>	11,870	--	11,870
0031 <i>Guidance, Counseling, & Evaluation Services</i>	260,590	--	260,590
0032 <i>Social Work Services</i>	142	--	142
0033 <i>Health Services</i>	1,386	--	1,386
0035 <i>Food Service</i>	2,764,375	--	2,764,375
0036 <i>Cocurricular/Extracurricular Activities</i>	624,932	--	624,932
0041 <i>General Administration</i>	5,300	--	5,300
0051 <i>Facilities Maintenance and Operations</i>	59,402	--	59,402
0061 <i>Community Services</i>	27,322	--	27,322
0071 <i>Principal on Long-term Debt</i>	--	885,000	885,000
0072 <i>Interest on Long-term Debt</i>	--	2,248,394	2,248,394
0073 <i>Bond Issuance Costs and Fees</i>	--	800	800
6030 <i>Total Expenditures</i>	<u>6,058,749</u>	<u>3,134,194</u>	<u>9,192,943</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	105,235	45,906	151,141
1200 <i>Net Change in Fund Balances</i>	<u>105,235</u>	<u>45,906</u>	<u>151,141</u>
0100 <i>Fund Balances - Beginning</i>	1,507,195	1,394,788	2,901,983
3000 <i>Fund Balances - Ending</i>	<u>\$ 1,612,430</u>	<u>\$ 1,440,694</u>	<u>\$ 3,053,124</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
ASSETS:				
1110 Cash and Cash Equivalents	\$ (79,400)	\$ (66,543)	\$ (824)	\$ 720,812
1240 Due from Other Governments	79,400	66,543	824	68,441
1300 Inventories	--	--	--	20,084
1410 Unrealized Expenditures	--	--	--	5,437
1000 Total Assets	--	--	--	814,774
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ --	\$ --	\$ --	\$ 10,751
2170 Due to Other Funds	--	--	--	--
2300 Unearned Revenue	--	--	--	20,084
2000 Total Liabilities	--	--	--	30,835
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 Inventories	--	--	--	20,084
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	--	763,855
3490 Other Restrictions of Fund Balance	--	--	--	--
3000 Total Fund Balances	--	--	--	783,939
4000 Total Liabilities and Fund Balances	\$ --	\$ --	\$ --	\$ 814,774

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FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2016

Data Control Codes		410 State Textbook Fund	461 Campus Activity Funds
ASSETS:			
1110	Cash and Cash Equivalents	\$ 26,961	\$ 824,210
1240	Due from Other Governments	--	--
1300	Inventories	--	--
1410	Unrealized Expenditures	--	--
1000	Total Assets	<u>26,961</u>	<u>824,210</u>
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ --	\$ --
2170	Due to Other Funds	--	1,244
2300	Unearned Revenue	26,961	--
2000	Total Liabilities	<u>26,961</u>	<u>1,244</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410	Inventories	--	--
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	--
3490	Other Restrictions of Fund Balance	--	822,966
3000	Total Fund Balances	<u>--</u>	<u>822,966</u>
4000	Total Liabilities and Fund Balances	<u>\$ 26,961</u>	<u>\$ 824,210</u>

480 Flour Bluff Foundation	485 Ed Rachal Foundation	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 5,525	\$ 1,857	\$ 1,411,846
--	--	242,612
--	--	20,084
--	--	5,437
<u>5,525</u>	<u>1,857</u>	<u>1,679,979</u>
\$ --	\$ --	\$ 10,751
--	--	1,244
--	1,857	55,554
<u>--</u>	<u>1,857</u>	<u>67,549</u>
--	--	20,084
--	--	763,855
5,525	--	828,491
<u>5,525</u>	<u>--</u>	<u>1,612,430</u>
\$ <u>5,525</u>	\$ <u>1,857</u>	\$ <u>1,679,979</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 1,050,866
5800 State Program Revenues	--	--	--	14,288
5900 Federal Program Revenues	1,024,763	942,405	13,010	1,806,858
5020 Total Revenues	<u>1,024,763</u>	<u>942,405</u>	<u>13,010</u>	<u>2,872,012</u>
EXPENDITURES:				
Current:				
0011 Instruction	714,662	767,921	13,010	--
0012 Instructional Resources and Media Services	78,400	--	--	--
0013 Curriculum and Staff Development	134,273	14,000	--	--
0021 Instructional Leadership	31,179	--	--	--
0023 School Leadership	1,327	--	--	--
0031 Guidance, Counseling, & Evaluation Services	37,028	160,484	--	--
0032 Social Work Services	142	--	--	--
0033 Health Services	765	--	--	--
0035 Food Service	--	--	--	2,764,375
0036 Cocurricular/Extracurricular Activities	--	--	--	--
0041 General Administration	--	--	--	--
0051 Facilities Maintenance and Operations	--	--	--	59,402
0061 Community Services	26,987	--	--	--
6030 Total Expenditures	<u>1,024,763</u>	<u>942,405</u>	<u>13,010</u>	<u>2,823,777</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--	48,235
1100 Expenditures	--	--	--	48,235
1200 Net Change in Fund Balances	--	--	--	--
0100 Fund Balances - Beginning	--	--	--	735,704
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 783,939</u>

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	288 Department of Defense Education Grant	397 Advanced Placement Incentives	410 State Textbook Fund
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	1,952	103,116
57,759	148,652	143,166	--	--
<u>57,759</u>	<u>148,652</u>	<u>143,166</u>	<u>1,952</u>	<u>103,116</u>
57,759	132,972	74,788	--	103,116
--	--	--	--	--
--	7,412	--	1,952	--
--	7,933	--	--	--
--	--	--	--	--
--	--	63,078	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	5,300	--	--
--	--	--	--	--
--	335	--	--	--
<u>57,759</u>	<u>148,652</u>	<u>143,166</u>	<u>1,952</u>	<u>103,116</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		429 State Funded Special Revenue Fund	461 Campus Activity Funds
REVENUES:			
5700	Local and Intermediate Sources	\$ --	\$ 817,038
5800	State Program Revenues	1,400	--
5900	Federal Program Revenues	--	--
5020	Total Revenues	<u>1,400</u>	<u>817,038</u>
EXPENDITURES:			
Current:			
0011	Instruction	1,400	85,169
0012	Instructional Resources and Media Services	--	37,742
0013	Curriculum and Staff Development	--	615
0021	Instructional Leadership	--	288
0023	School Leadership	--	10,543
0031	Guidance, Counseling, & Evaluation Services	--	--
0032	Social Work Services	--	--
0033	Health Services	--	621
0035	Food Service	--	--
0036	Cocurricular/Extracurricular Activities	--	624,932
0041	General Administration	--	--
0051	Facilities Maintenance and Operations	--	--
0061	Community Services	--	--
6030	Total Expenditures	<u>1,400</u>	<u>759,910</u>
1100	Excess (Deficiency) of Revenues Over (Under)	--	--
1100	Expenditures	--	57,128
1200	Net Change in Fund Balances	--	57,128
0100	Fund Balances - Beginning	--	765,838
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ 822,966</u>

480 Flour Bluff Foundation	485 Ed Rachal Foundation	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ 31,372	\$ 7,339	\$ 1,906,615
--	--	120,756
--	--	4,136,613
<u>31,372</u>	<u>7,339</u>	<u>6,163,984</u>
31,500	7,339	1,989,636
--	--	116,142
--	--	158,252
--	--	39,400
--	--	11,870
--	--	260,590
--	--	142
--	--	1,386
--	--	2,764,375
--	--	624,932
--	--	5,300
--	--	59,402
--	--	27,322
<u>31,500</u>	<u>7,339</u>	<u>6,058,749</u>
(128)	--	105,235
<u>(128)</u>	<u>--</u>	<u>105,235</u>
5,653	--	1,507,195
<u>\$ 5,525</u>	<u>\$ --</u>	<u>\$ 1,612,430</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-5

CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ --	\$ 147,293	\$ 147,293
5020	Total Revenues	<u>--</u>	<u>147,293</u>	<u>147,293</u>
	EXPENDITURES:			
	Capital Outlay:			
0081	Capital Outlay	<u>35,023,508</u>	<u>13,562,918</u>	<u>21,460,590</u>
	Total Capital Outlay	<u>35,023,508</u>	<u>13,562,918</u>	<u>21,460,590</u>
6030	Total Expenditures	<u>35,023,508</u>	<u>13,562,918</u>	<u>21,460,590</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(35,023,508)</u>	<u>(13,415,625)</u>	<u>21,607,883</u>
	Other Financing Sources (Uses):			
7915	Transfers In	<u>1,921,475</u>	<u>1,921,475</u>	<u>--</u>
7080	Total Other Financing Sources and (Uses)	<u>1,921,475</u>	<u>1,921,475</u>	<u>--</u>
1200	Net Change in Fund Balance	<u>(33,102,033)</u>	<u>(11,494,150)</u>	<u>21,607,883</u>
0100	Fund Balance - Beginning	<u>33,209,357</u>	<u>33,209,357</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 107,324</u>	<u>\$ 21,715,207</u>	<u>\$ 21,607,883</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**COMBINING STATEMENT OF NET POSITION****INTERNAL SERVICE FUNDS****AUGUST 31, 2016**

Data Control Codes	752 Print Shop Fund	753 Insurance Fund	Total Internal Service Funds (See Exhibit D-1)
ASSETS:			
Current Assets:			
1110 <i>Cash and Cash Equivalents</i>	\$ 28,495	\$ 608,693	\$ 637,188
<i>Receivables:</i>			
1290 <i>Other Receivables (net)</i>	12,522	--	12,522
Total Current Assets	<u>41,017</u>	<u>608,693</u>	<u>649,710</u>
Noncurrent Assets:			
Capital Assets:			
1530 <i>Furniture and Equipment</i>	322,529	--	322,529
1570 <i>Accumulated Depreciation</i>	(288,649)	--	(288,649)
Total Noncurrent Assets	<u>33,880</u>	<u>--</u>	<u>33,880</u>
1000 Total Assets	<u>74,897</u>	<u>608,693</u>	<u>683,590</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 78	\$ --	\$ 78
Total Current Liabilities	<u>78</u>	<u>--</u>	<u>78</u>
2000 Total Liabilities	<u>78</u>	<u>--</u>	<u>78</u>
NET POSITION:			
3200 <i>Net Investment in Capital Assets</i>	33,880	--	33,880
3900 <i>Unrestricted</i>	40,939	608,693	649,632
3000 Total Net Position	<u>\$ 74,819</u>	<u>\$ 608,693</u>	<u>\$ 683,512</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	752 Print Shop Fund	753 Insurance Fund	Total Internal Service Funds (See Exhibit D-2)
OPERATING REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 262,121	\$ 2,996,807	\$ 3,258,928
5020 <i>Total Revenues</i>	<u>262,121</u>	<u>2,996,807</u>	<u>3,258,928</u>
OPERATING EXPENSES:			
6100 <i>Payroll Costs</i>	189,988	--	189,988
6200 <i>Professional and Contracted Services</i>	118,304	--	118,304
6300 <i>Supplies and Materials</i>	32,421	--	32,421
6400 <i>Other Operating Costs</i>	6,973	2,618,400	2,625,373
6030 <i>Total Expenses</i>	<u>347,686</u>	<u>2,618,400</u>	<u>2,966,086</u>
Income (Loss) before Contributions and Transfe	(85,565)	378,407	292,842
7915 <i>Transfers In</i>	<u>120,000</u>	<u>--</u>	<u>120,000</u>
1300 <i>Change in Net Position</i>	34,435	378,407	412,842
1300 <i>Change in Net Position</i>	34,435	378,407	412,842
0100 <i>Total Net Position - Beginning</i>	40,384	230,286	270,670
3300 <i>Total Net Position - Ending</i>	<u>\$ 74,819</u>	<u>\$ 608,693</u>	<u>\$ 683,512</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**COMBINING STATEMENT OF CASH FLOWS****ALL INTERNAL SERVICE FUNDS****FOR THE YEAR ENDED AUGUST 31, 2016**

	752 Print Shop Fund	753 Insurance Fund	Total Internal Service Funds (See Exhibit D-3)
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ --	\$ --	\$ --
Cash Received from Grants	--	--	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	262,121	2,996,807	3,258,928
Cash Payments to Employees	(189,915)	--	(189,915)
Cash Payments to Suppliers for Goods and Services	(159,444)	(2,618,400)	(2,777,844)
Cash Payments for Grants to Other Organizations	--	--	--
Other Operating Cash Receipts (Payments)	--	--	--
Net Cash Provided (Used) by Operating Activities	<u>(87,238)</u>	<u>378,407</u>	<u>291,169</u>
Cash Flows from Non-capital Financing Activities:			
Transfers From (To) Other Funds	120,000	--	120,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>120,000</u>	<u>--</u>	<u>120,000</u>
Cash Flows from Capital and Related Financing Activities:			
Contributed Capital	--	--	--
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>--</u>	<u>--</u>	<u>--</u>
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	--	--	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	32,762	378,407	411,169
Cash and Cash Equivalents at Beginning of Year	(4,267)	230,286	226,019
Cash and Cash Equivalents at End of Year	<u>\$ 28,495</u>	<u>\$ 608,693</u>	<u>\$ 637,188</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (85,565)	\$ 378,407	\$ 292,842
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	6,973	--	6,973
Provision for Uncollectible Accounts	--	--	--
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(8,719)	--	(8,719)
Decrease (Increase) in Inventories	--	--	--
Decrease (Increase) in Prepaid Expenses	--	--	--
Increase (Decrease) in Accounts Payable	--	--	--
Increase (Decrease) in Payroll Deductions	73	--	73
Increase (Decrease) in Accrued Wages Payable	--	--	--
Increase (Decrease) in Interfund Payables	--	--	--
Total Adjustments	<u>(1,673)</u>	<u>--</u>	<u>(1,673)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (87,238)</u>	<u>\$ 378,407</u>	<u>\$ 291,169</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2016

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
2007 and Prior Years						
2008		1.04		.0295		2,034,548,632
2009		1.04		.0295		2,220,813,598
2010		1.04		.0292		2,361,824,810
2011		1.04		.0298		2,348,708,690
2012		1.04		.0317		2,181,819,924
2013		1.04		.0309		2,247,594,635
2014		1.04		.1385		2,366,031,341
2015		1.04		.1285		2,650,595,002
2016 (School Year Under Audit)		1.04		.1144		2,744,362,524

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 202,995	\$ --	\$ 1,031	\$ 50	\$ (17,268)	\$ 184,647
35,303	--	1,952	55	(47)	33,248
30,709	--	2,664	76	(47)	27,923
50,756	--	6,464	182	(169)	43,941
62,115	--	12,072	346	614	50,311
74,380	--	20,039	611	132	53,862
80,478	--	27,720	825	3,598	55,531
141,140	--	53,049	7,065	(342)	80,685
400,960	--	202,644	25,038	(26,247)	147,032
--	31,465,881	27,421,451	3,015,041	(552,368)	477,020
<u>\$ 1,078,837</u>	<u>\$ 31,465,881</u>	<u>\$ 27,749,086</u>	<u>\$ 3,049,288</u>	<u>\$ (592,144)</u>	<u>\$ 1,154,201</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 1,124,100	\$ 1,050,866	\$ (73,234)
5800	State Program Revenues	15,000	14,288	(712)
5900	Federal Program Revenues	1,765,000	1,806,858	41,858
5020	Total Revenues	<u>2,904,100</u>	<u>2,872,012</u>	<u>(32,088)</u>
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	2,958,100	2,764,375	193,725
	Total Support Services - Student (Pupil)	<u>2,958,100</u>	<u>2,764,375</u>	<u>193,725</u>
	Support Services - Nonstudent Based:			
0051	Plant Maintenance and Operations	--	59,402	(59,402)
	Total Support Services - Nonstudent Based	<u>--</u>	<u>59,402</u>	<u>(59,402)</u>
6030	Total Expenditures	<u>2,958,100</u>	<u>2,823,777</u>	<u>134,323</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(54,000)	48,235	102,235
1200	Net Change in Fund Balance	(54,000)	48,235	102,235
0100	Fund Balance - Beginning	735,704	735,704	--
3000	Fund Balance - Ending	<u>\$ 681,704</u>	<u>\$ 783,939</u>	<u>\$ 102,235</u>

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 3,134,394	\$ 3,101,416	\$ (32,978)
5800	State Program Revenues	--	78,684	78,684
5020	Total Revenues	3,134,394	3,180,100	45,706
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	885,000	885,000	--
0072	Interest on Long-Term Debt	2,248,394	2,248,394	--
0073	Bond Issuance Costs and Fees	1,000	800	200
	Total Debt Service	3,134,394	3,134,194	200
6030	Total Expenditures	3,134,394	3,134,194	200
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	45,906	45,906
1200	Net Change in Fund Balance	--	45,906	45,906
0100	Fund Balance - Beginning	1,394,788	1,394,788	--
3000	Fund Balance - Ending	\$ 1,394,788	\$ 1,440,694	\$ 45,906

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Strealy CPA

David Morales CPA

Jerry D. Spence CPA

Professional Associates:

Betty Morales, CPA

Amy Twardowski, CPA

Erika M. Post

Greg Morales

Daniel Ibarra

Dudley Gowland, CPA (1917-2015)

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

Board of Trustees
Flour Bluff Independent School District
2505 Waldron Road
Corpus Christi, Texas 78418

Members of the Board of Trustees:

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 Flour Bluff Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Flour Bluff Independent School District's basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

5934 S. Staples, Suite 201 Corpus Christi, Texas 78413
Phone: (361) 993-1000 Fax: (361) 991-2880 www.gowland-cpa.com
Members of the American Institute and Texas Society of Certified Public Accountants

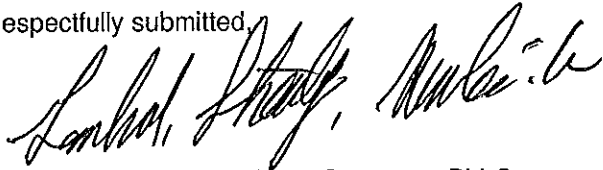
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Gowland, Strealy, Morales & Company, PLLC

Corpus Christi, Texas
November 28, 2016

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Strealy CPA

David Morales CPA

Jerry D. Spence CPA

Professional Associates:

Betty Morales, CPA

Amy Twardowski, CPA

Erika M. Post

Greg Morales

Daniel Ibarra

Dudley Gowland, CPA (1917-2015)

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Flour Bluff Independent School District
2505 Waldron Road
Corpus Christi, Texas 78418

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

5934 S. Staples, Suite 201 Corpus Christi, Texas 78413
Phone: (361) 993-1000 Fax: (361) 991-2880 www.gowland-cpa.com
Members of the American Institute and Texas Society of Certified Public Accountants

Opinion on Each Major Federal Program

In our opinion, the Flour Bluff Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

Report on Internal Control Over Compliance

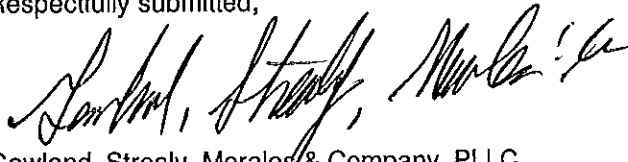
Management of the Flour Bluff Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Flour Bluff Independent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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Gowland, Streaty, Morales & Company, PLLC

Corpus Christi, Texas
November 28, 2016

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Special Education Cluster:	
84.027	IDEA-B Formula
84.173	IDEA-B Preschool

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
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NONE REQUIRED - N/A

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

NONE REQUIRED - N/A

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

EXHIBIT K-1

(1)	(2)	(2A)		(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through State Department of Education:				
Medicaid *	93.778	178-914	\$	\$ 16,146
Total U. S. Department of Health and Human Services			--	16,146
U. S. DEPARTMENT OF EDUCATION				
Passed Through State Department of Education:				
Department of Defense Education Activity	12.556	HE1254-11-1-00	--	2,775
Fund 2886	12.556	HE1254-11-1-00	--	140,391
Total CFDA Number 12.556			--	143,166
 ESEA Title I Part A - Improving Basic Programs	84.010a	10610101178914	--	--
ESEA Title I Part A - Improving Basic Programs	84.010a	15610101178914	--	55,166
ESEA Title I Part A - Improving Basic Programs	84.010a	16610101178914	--	969,597
Total CFDA Number 84.010a			--	1,024,763
 IDEA-B Formula *	84.027	16661001178914	--	942,405
Total CFDA Number 84.027			--	942,405
 Impact Aid - P.L. 81.874	84.041	178-914		111,277
 Career and Technical - Basic Grant	84.048	16420006178914	--	57,759
Total CFDA Number 84.048			--	57,759
 IDEA-B Preschool *	84.173	16661001178914	--	13,010
Total CFDA Number 84.173			--	13,010
 ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	16694501178914	--	148,652
Total CFDA Number 84.367a			--	148,652
Total Passed Through State Department of Education			--	2,441,032
Total U. S. Department of Education			--	2,441,032
U. S. DEPARTMENT OF DEFENSE				
Passed Through State Department of Education:				
ROTC	12.00	178-914		113,275
Total U. S. Department of Defense			--	113,275
U. S. DEPARTMENT OF AGRICULTURE				
Passed Through State Department of Education:				
School Breakfast Program *	10.553	71401601	\$	\$ 431,022
 National School Lunch Program *	10.555	71301601	\$ --	\$ 1,198,533
National School Lunch Program (Non-cash) *	10.555	178-914	--	177,303
Total CFDA Number 10.555			--	1,375,836
Total Passed Through State Department of Education			--	1,806,858
Total U. S. Department of Agriculture			--	1,806,858
TOTAL EXPENDITURES OF FEDERAL AWARDS			--	4,377,311
* Indicates clustered program under OMB Uniform Guidance (2.CFR.200)				
TOTAL EXPENDITURES OF FEDERAL AWARDS				4,377,311
School Health & Related Services (SHARS)				764,652
Total Federal Program Revenue Exhibit C-2				5,141,963

The accompanying notes are an integral part of this schedule.

FLOUR BLUFF INDEPENDENT SCHOOL DISTRICT**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016****Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Flour Bluff Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

<u>Data Control Codes</u>		<u>Responses</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?	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 governmental agencies?	Yes
SF8	Did the school district <u>not</u> 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	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 10,774,805
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 903,809