

EL PASO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED JUNE 30, 2016

EL PASO INDEPENDENT SCHOOL DISTRICT

Annual Financial and Compliance Reports

For the Year Ended June 30, 2016

Table of Contents

	<u>Page</u>	<u>Exhibit</u>
Certificate of Board	1	
Directory	3	
 FINANCIAL SECTION	 5	
Independent Auditor's Report	7	
Management's Discussion and Analysis	11	
 Basic Financial Statements	 29	
<u>Government-wide Financial Statements:</u>		
Statement of Net Position	30	A-1
Statement of Activities	31	B-1
<u>Governmental Fund Financial Statements</u>	33	
Balance Sheet - Governmental Funds	34	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	37	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	38	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	40	C-4
<u>Proprietary Fund Financial Statements</u>	41	
Statement of Net Position	42	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position	43	D-2
Statement of Cash Flows	44	D-3
<u>Fiduciary Fund Financial Statements</u>	45	
Statement of Fiduciary Net Position	46	E-1
Statement of Changes in Fiduciary Fund Net Position	47	E-2
<u>Notes to the Basic Financial Statements</u>	48	
Required Supplementary Information	95	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	96	G-1
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas	97	G-2
Schedule of District Contributions - Teacher Retirement System of Texas	98	G-3
Notes to Required Supplementary Information	99	
Supplementary Information	101	
<u>Nonmajor Governmental Funds</u>		
Combining Balance Sheet	102	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	108	H-2
<u>Internal Service Funds</u>		
Combining Statement of Net Position	114	H-3
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	115	H-4
Combining Statement of Cash Flows	116	H-5
<u>Agency Fund</u>		
Statement of Changes in Assets and Liabilities - Agency Fund	117	H-6

EL PASO INDEPENDENT SCHOOL DISTRICT

Table of Contents (Continued)

	<u>Page</u>	<u>Exhibit</u>
Other Information - Required TEA Schedules (Unaudited)	119	
Schedule of Delinquent Taxes Receivable	120	J-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Child Nutrition Program	122	J-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Debt Service Fund	123	J-3
FEDERAL AWARDS SECTION	125	
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 <i>Government Auditing Standards</i>	127	
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	129	
Schedule of Findings and Questioned Costs	131	
Schedule of Status of Prior Findings	134	
Schedule of Expenditures of Federal Awards	135	K-1
Notes to Schedule of Expenditures of Federal Awards	138	

CERTIFICATE OF BOARD

El Paso Independent School District
Name of School District

El Paso County
County

071902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial and compliance reports of the above named school district were reviewed and _____ approved _____ disapproved for the year ended June 30, 2016, at a meeting of the Board of Trustees of such school district on the 16th day of November 2016.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproves of the independent auditor's report, the reason(s) for disapproving it is(are): (attach list as necessary)

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EL PASO INDEPENDENT SCHOOL DISTRICT

DIRECTORY

BOARD OF TRUSTEES

Dori Fenenbock
President

Al Velarde
Vice-President

Trent Hatch
Secretary

Bob Geske
Member

Susie Byrd
Member

Diane Dye
Member

Chuck Taylor
Member

ADMINISTRATION

Juan Cabrera
Superintendent

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
El Paso Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Paso Independent School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the El Paso Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of El Paso Independent School District, as of June 30, 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, and pension information on pages 11 through 27 and 95 through 100 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso Independent School District's basic financial statements. The combining and individual fund financial statements and the required TEA schedules are presented for purposes of additional analysis and are not a required part 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements 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 fund financial statements 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 required TEA schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016, on our consideration of the El Paso 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 the El Paso Independent School District's internal control over financial reporting and compliance.

Gibson, Ruddock, Patterson LLC
El Paso, Texas
November 9, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the **El Paso Independent School District's** (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the basic financial statements, which follow this section.

The Management's Discussion and Analysis is a combination of both government-wide financial statements and fund financial statements.

FINANCIAL HIGHLIGHTS

The District's change in net position from normal operations was an increase of \$13.5 million. Total net position of the District increased from \$275.1 million in fiscal year 2015 to \$288.6 million at year-end 2016. Of this total amount, unrestricted net position increased by \$2.7 million from \$33.8 million to \$36.5 million. Total revenues increased \$44.4 million from \$620.7 million in fiscal year 2015, to \$665.1 million in fiscal year 2016. Total expenses increased \$49.7 million, from \$601.9 million to \$651.6 million.

As of June 30, 2016, the District implemented GASB No. 72, Fair Value Measurement and Application, which provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The District also implemented GASB No. 82, Pension Issues in fiscal year 2016. Accordingly, the Required Supplementary Information Schedules for the Teacher Retirement System of Texas are presented in accordance with this statement.

The District's governmental funds financial statements reported a combined ending fund balance in fiscal year 2016 of \$221.7 million. The combined ending fund balance of the District increased \$2.5 million from \$219.2 million in fiscal year 2015. Of this total amount, \$2.2 million is Nonspendable, \$104.8 million is Restricted, \$9.1 million is Assigned, and \$105.6 million is Unassigned in the General Fund and is available for spending at the District's discretion.

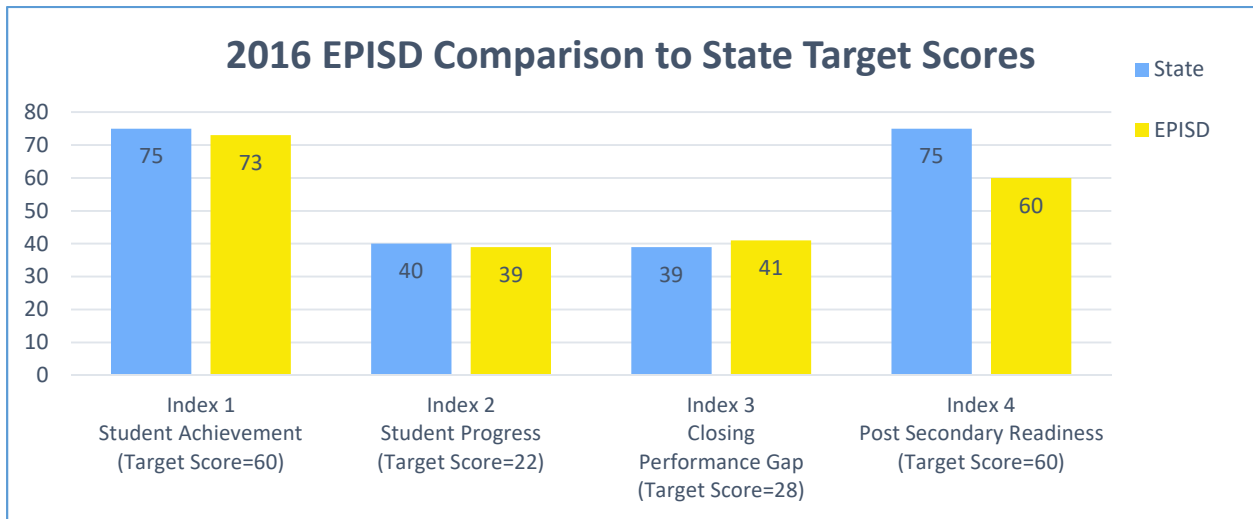
The 2008 Bond Capital Projects fund balance is \$62.5 million and includes expenditures of \$10.9 million at June 30, 2016. The Facilities and Construction Department is working to complete all of the projects which were reallocated during fiscal year 2015.

Projects completed during the fiscal year 2016 include the following: A ten classroom building addition was completed at Milam Elementary School for \$4.6 million. Three multipurpose classroom buildings totaling \$2.6 million were added at Clendenin, Barron and Crockett Elementary Schools. Phase 2 of an ADA Compliance project was completed at several campuses for \$.6 million; Phase 3 will begin during 2017. Mesita Elementary School was renovated to add the Mesita ES at Vilas Early Childhood Development Center (ECDC). Renovations included a drop off zone, artificial turf playfield, a playground and a City owned parkway which totaled \$.86 million. Chapin High School, located at Fort Bliss, is nearing completion of a four classroom and field house addition.

ACADEMIC HIGHLIGHTS

The El Paso Independent School District (EPISD) exceeded performance requirements on state standards (Target Scores) in all four Indices on the Texas State Accountability System during the 2016 fiscal year the Student Achievement Index earned 13 points above the target score of 60. Student Progress Index earned 17 points above the target score of 22. Closing Performance Gap Index exceeded the target score of 28 by 13 points and the Post-Secondary Readiness Index met the target score of 60. When comparing EPISD to the State's overall performance, EPISD was below the State in Student Achievement by two points, and two points above the State in Closing Performance Gap. Though EPISD met the State target of 60, EPISD was below the State average by 15 points.

The following graph indicates the District's standing in relation to the State's overall performance:



Distinction designations in academic subjects and areas such as top 25% student progress, top 25% closing performance gaps, and post-secondary readiness were awarded to numerous campuses across the district. Fifty-four EPISD campuses received distinction designations, 38 elementary, 7 middle schools, and 9 high schools. There were 43 campuses that received academic distinction designations, 25 in Reading/ELA, 25 in Math, 24 in Science, and 6 in Social Studies. Twenty campuses received a Top 25% Student Progress Distinction, 42 campuses received a Top 25% Closing Performance Gaps Distinction, and 37 campuses received a Post-Secondary Readiness Distinction. Two high schools received all seven distinctions, Silva Health Magnet and Transmountain Early College. Wiggs Middle School was the only middle school that received five of the seven distinctions. There were four elementary campuses that received all six distinctions, Hughey, Collins, Cielo Vista, and Polk.

Government-Wide Financial Statements

All of the District's services are reported in the government-wide financial statements (refer to Exhibits A-1 and B-1), including instruction, student support services, student transportation, general administration, school leadership, facilities acquisition and construction and food services. Property taxes, state and federal aid, and investment earnings finance most of the activities. Additionally, all capital and debt financing activities are reported on these statements.

The government-wide financial statements are designed to provide readers a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the District’s financial position is improving or deteriorating.

The *statement of activities* details how the District’s net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities), as opposed to business-type activities that are intended to recover all, or a significant portion, of their costs through user fees and charges.

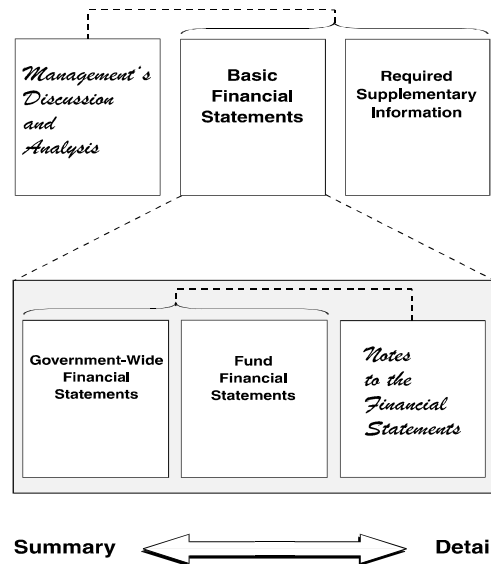
Figure A-1 below summarizes the major features of the District’s financial statements and the types of information they contain.

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 business	Instances in which the District is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> ♦ Statement of net position ♦ Statement of activities 	<ul style="list-style-type: none"> ♦ Balance Sheet ♦ Statement of revenues, expenditures, & changes in fund balance 	<ul style="list-style-type: none"> ♦ Statement of net position ♦ Statement of revenues, expenses and changes in fund net position ♦ Statement of cash flows 	<ul style="list-style-type: none"> ♦ Statement of fiduciary position ♦ Statement of changes in fiduciary net position
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, deferred outflows and liabilities, deferred inflows both financial and capital, short-term and long-term	Only assets, deferred outflows, expected to be used up and liabilities, deferred inflows, that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows and liabilities, deferred inflows, 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 the 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

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This is illustrated in Figure A-2 below. This report also contains required supplementary information, other supplementary information, and TEA required schedules, in addition to the basic financial statements themselves.

Figure A-2. The figure shows how the required parts of this annual report are arranged and related to one another.



Fund Financial Statements

The District uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide additional 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 fund designations are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, or to show that it is properly using certain grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the District's activities are included in governmental funds using modified accrual accounting. The focus is on 1) how cash and other financial assets can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available. However, unlike the government-wide financial statements, governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Proprietary funds are used to account for operations that are financed similar to those found in the private sector. These funds provide both long and short-term financial information. The District maintains

a type of proprietary fund called an Internal Service Fund. The District uses Internal Service Funds to account for its Workers' Compensation, Health Care Clinic, and Print Shop programs. These funds employ the full accrual method.

Fiduciary funds are used to account for assets held by the District, in a trustee capacity or as an agent, for individuals, private organizations and/or other funds. No fiduciary funds are used as clearing accounts to distribute financial resources to other funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District uses Fiduciary funds to account for student activity funds and scholarships. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position, statement of changes in fiduciary net position, and the statement of changes in assets and liabilities. We exclude these activities from the District's government-wide financial statements, because the District cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Immediately following the required supplementary information, combining statements are included for the non-major funds, the internal service funds, and the fiduciary funds. In addition required TEA schedules are also included.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, the net position may serve over time as a useful indicator of the District's financial position. The District's total net position was approximately \$288.6 million at June 30, 2016. The District's governmental activities net position increased by \$13.5 million.

Table I
El Paso Independent School District
Statement of Net Position
(in millions of dollars)

<u>Governmental Activities</u>	<u>2016</u>	<u>2015</u>	<u>Variance</u>	<u>Percentage Change</u>
Current and other assets	293.2	312.1	(18.9)	(6.1%)
Capital and Non-Current Assets	571.9	570.9	1.0	0.2%
Total Assets	865.1	883.0	(17.9)	(2.0%)
Deferred Charge for Refunding	19.6	20.8	(1.2)	(5.8%)
Deferred Outflow Related to TRS	58.3	14.4	43.9	304.9%
Total Deferred Outflows of Resources	77.9	35.2	42.7	121.3%
Current Liabilities	86.7	103.8	(17.1)	(16.5%)
Non-Current Liabilities	558.2	519.7	38.5	7.4%
Total Liabilities	644.9	623.5	21.4	3.4%
Deferred Inflow Related to TRS	9.5	19.6	(10.1)	(51.5%)
Total Deferred Inflows of Resources	9.5	19.6	(10.1)	(51.5%)
Net Position:				
Net Investment in Capital Assets	214.6	204.4	10.2	5.0%
Restricted	37.5	36.9	.6	1.6%
Unrestricted	36.5	33.8	2.7	8.0%
Total Net Position	288.6	275.1	13.5	4.9%

Investment in capital assets (e.g. land, buildings, furniture, and equipment), less any related debt used to acquire those assets that is still outstanding is \$214.6 million. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position of \$37.5 million represents resources that are subject to external restrictions on how they may be used. The remaining balance of the unrestricted net position of \$36.5 million may be used to meet the District's ongoing obligations.

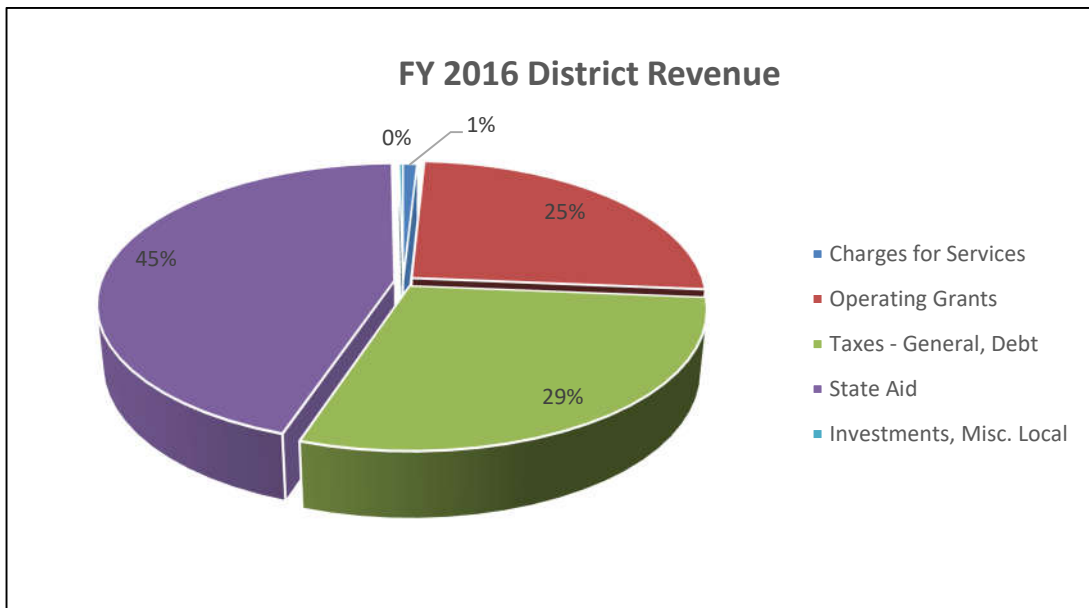
Statement of Activities

Revenues

The District's total revenues were \$665.1 million. A significant portion, approximately 45 percent, of the District's revenue comes from state aid-formula grants. Operating and capital grants and contributions provided 25 percent of revenue, 29 percent comes from property taxes, while only 1 percent relates to charges for services and local miscellaneous sources.

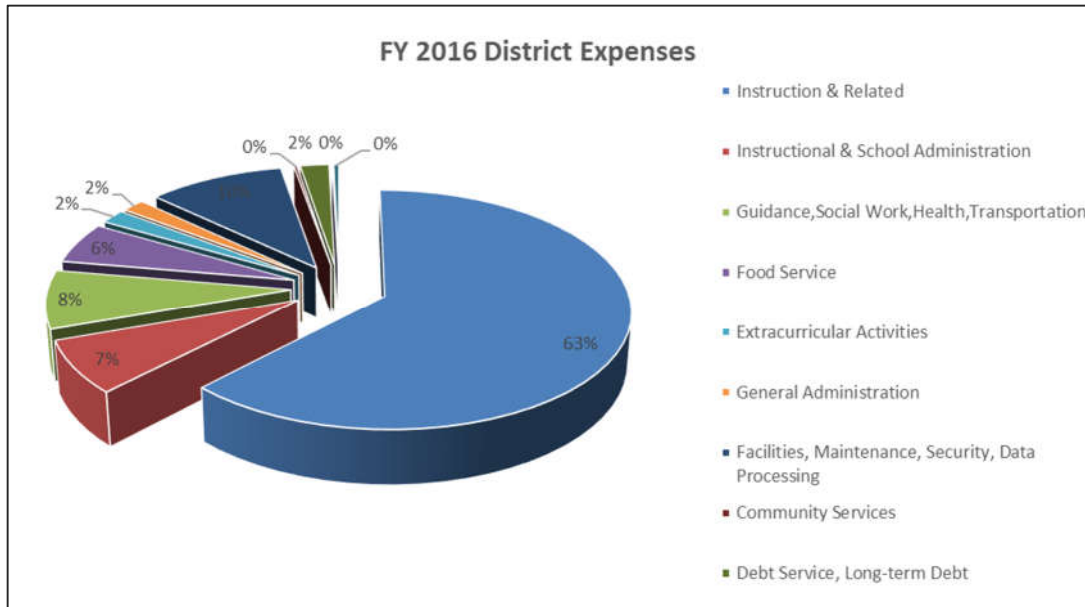
Funding for governmental activities is by specific program revenue or through general revenues such as, property taxes and investment earnings. The following is a summary of the governmental activities:

- The cost of all *governmental activities* this year was \$651.6 million.
- Program revenues directly attributable to specific activities funded some of the governmental activities. These program revenues amounted to \$174.7 million.
- The remaining cost of *governmental activities*, not directly funded by program revenues, was \$476.9 million of which \$191.7 million was funded by property taxes, and \$296.3 million was funded by state aid – not restricted to specific programs.



Expenses

The District's total expenses were \$651.6 million. The largest portion, \$406.4 million or approximately 63 percent, was spent on instruction and instructional related services. Meanwhile, expenses for instructional leadership and school administration were only 7 percent; 8 percent for guidance, social work, health and transportation, while only 2 percent relates to general administration.



Changes in Net Position

The net position of the District's governmental activities increased by 4.9% or \$13.5 million. The total net position of the District was impacted by the following activities:

- The District's proportionate share of the Teacher Retirement System (TRS) of Texas pension plan expense increased significantly from the prior year in the amount of \$14.5 million and has been allocated to each function accordingly.
- Property tax revenue increased \$4.5 million in the General Fund, and decreased \$5.2 million in the Debt Service Fund for a net decrease of .7 million. Both funds lost revenue due to the increase in the homestead exemption. The 3 penny increase to the general fund and decrease to the debt service fund tax rate from the voter approved Tax Ratification Election (TRE), explains the two variances. Appraised values for fiscal year 2016 decreased by \$112.7 million from the prior year, due to the increase in the homestead exemption from \$15 thousand to \$25 thousand.
- State Aid-Formula Grants increased by \$26.2 million. Tier 1 State Foundation increased due to a \$110 increase in the adjusted allotment per student, and an increase in students coded to weighted funding. State Foundation funding was higher due to increased state matching funds from the TRE.
- Total expenses increased \$49.7 million from the prior year. The largest increases in expenses were found under instruction and instructional related services in the amount of \$33.9 million; Instructional and School Leadership in the amount of \$4.6 million; Guidance, Counseling and Evaluation Services in the amount of \$3.4 million; Food Services in the amount of \$1.9 million; and Facilities Maintenance and Operations in the amount of \$4.9 million.

- Operating grants and contributions increased \$20.4 million primarily due to an increase in the Texas Literacy Initiative Grant of \$10.3 million for the purchase of software licenses, professional development, and electronic books; an increase in the Instructional Materials Allotment of \$2 million for the implementation of the new social studies textbook adoption; and increase in the Title II-Teacher Principal Training Grant of \$1.5 million to fund class size reduction teachers, teacher reimbursements for dual credit certifications, and the implementation of the Teacher Institute training program as part of the Active Learning Initiative.
- Capital grants and contributions decreased \$1.8 million due to the completion of the reconstruction of Logan Elementary School in the prior year which was mostly funded by the Department of Defense.
- Instructional expenses increased in the amount of \$38.5 million. The largest increases in expenses were as follows: an increase of \$3.7 million in payroll expenditures primarily due to a salary increase in the operating fund; a reinstatement of the workers compensation contribution of \$17.50 per employee for a total of \$1.5 million; the purchase of musical instruments of \$1.6 million; software licenses and digital books in the amount of \$10.3 million; the purchase of textbooks for \$2 million, and the Power-up Initiative in the amount of \$4.8 million.
- Instructional and School Leadership increased in the amount of \$4.6 million primarily due to a salary increase and the reinstatement of the workers compensation contribution of \$17.50 per employee.
- Guidance, Counseling and Evaluation Services increased in the amount of \$3.4 million primarily due to the implementation of the STAR 360 formative assessment software in the amount of \$0.7 million, and a salary increase in the amount of \$ 1.1 million.
- Food services expenses increased in the amount of \$1.9 million primarily due to the addition of four campuses (Park, Putnam, Barron and Morehead) to the Community Eligibility Provision (CEP) program that allowed schools to provide free meals to students and the purchase of equipment to facilitate student meal counts.
- Facilities Maintenance and Operations increased in the amount of \$4.9 million primarily due to overlapping costs related to change in providers for local phone and data services and the deployment of the district-wide fiber optic network services in the amount of \$2.1 million; an increase of \$.3 million for maintenance supplies and operations; an increase in the commercial property insurance for \$.5 million; the renewal licenses for the district surveillance platform system in the amount of \$.2 million and salary increases in the amount of \$.6 million.

Table II
El Paso Independent School District

Statement of Activities
(in millions of dollars)

<u>Governmental Activities</u>	<u>2016</u>	<u>2015</u>	<u>Variance</u>	<u>Percentage Change</u>
Revenues				
<u>Program Revenues</u>				
Charges for Services	5.9	6.6	(0.7)	(10.6%)
Operating Grants and Contributions	168.8	148.4	20.4	13.7%
Capital Grants and Contributions	0.0	1.8	(1.8)	(100.0%)
Sub-Total	<u>174.7</u>	<u>156.8</u>	<u>17.9</u>	<u>11.4%</u>
<u>General Revenues</u>				
Property Taxes	191.7	192.2	(0.5)	(0.3%)
State Aid-Formula Grants	296.3	270.1	26.2	9.7%
Investment Earnings	0.9	0.5	0.4	80.0%
Miscellaneous	1.6	1.6	0.0	0.0%
Sub-Total	<u>490.5</u>	<u>464.4</u>	<u>26.1</u>	<u>5.6%</u>
Total Revenues	<u>665.2</u>	<u>621.2</u>	<u>44.0</u>	<u>7.1%</u>
Expenses				
Instruction and Instructional Related	406.4	372.5	33.9	9.1%
Instructional Leadership/School Administration	47.4	42.8	4.6	10.7%
Guidance, Social Work, Health, Transportation	52.2	46.6	5.6	12.0%
Food Services	36.5	34.6	1.9	5.5%
Extracurricular Activities	12.3	12.0	0.3	2.5%
General Administration	11.3	10.8	0.5	4.6%
Plant Maintenance, Security & Data Processing	67.0	60.6	6.4	10.6%
Community Services	1.5	1.5	0.0	0.0%
Debt Service	14.0	17.7	(3.7)	(20.9%)
Capital Outlay	0.6	0.5	0.1	20.0%
Other Intergovernmental Charges	2.4	2.3	0.1	4.3%
Total Expenses	<u>651.6</u>	<u>601.9</u>	<u>49.7</u>	<u>8.3%</u>
Excess before special items and transfers	<u>13.6</u>	<u>19.3</u>	<u>(5.7)</u>	<u>(29.5%)</u>
Special Item - Loss on Disposal of Asset	<u>(0.1)</u>	<u>(0.5)</u>	<u>0.4</u>	<u>(80.0%)</u>
Increase in Net Position	<u>13.5</u>	<u>18.8</u>	<u>(5.3)</u>	<u>(28.2%)</u>
Beginning Net Position	<u>275.1</u>	<u>329.9</u>	<u>(54.8)</u>	<u>(16.6%)</u>
Prior Period Adjustment	<u>0.0</u>	<u>(73.6)</u>	<u>73.6</u>	<u>(100.0%)</u>
Ending Net Position	<u>288.6</u>	<u>275.1</u>	<u>13.5</u>	<u>4.9%</u>

DEBT ADMINISTRATION AND CAPITAL ASSETS

Long-Term Debt

At year-end, the District had \$430.3 million in total long term debt outstanding versus \$455.6 million at the end of 2015. The District did not issue any new debt in fiscal year 2016. The net amount of bonded debt retired was \$16 million, to bring the year-end balance to \$349.8 million.

The outstanding balance on the Series 2004B variable rate bonds remained at \$29.7 million. During the year the District renewed the Stand-by Bond Purchase Agreement with JP Morgan Chase Bank for three years. JP Morgan serves as the liquidity provider, and Hilltop Securities, Inc. is the remarketing agent on the variable rate bonds.

In the General Fund, the District used \$2,749,701 to pay off the balance of the Limited Tax Refunding Bonds, Series 2014. The early payoff resulted in future interest savings of \$47,961. The District also used \$970,936 to pay off the balance of the 2012 JP Morgan lease purchase for buses. The early payoff resulted in future interest savings of \$29,936.

Other long term obligations include accrued sick leave of \$11.1 million, capital leases of \$1.4 million, and the Qualified School Construction Maintenance Tax Notes (QSCMTN) of \$15.3 million. The District has established a Sinking Fund and has entered into a Repurchase Investment Agreement to pay off the QSCMTN at maturity, on August 15, 2025. The sinking fund has a year-end balance of \$5.4 million.

The District has aggressively managed its debt by competitive bidding to obtain the best interest rates available and by refinancing existing debt for lower rates when in the best interest of the District. The efficient management of budgets and Fund Balance has provided an adequate cash flow so that at no time has the District been short of cash when needed. No investment has been sold before its scheduled maturity date. More detailed information about the District's long-term liabilities is presented in Note IV.J through Note IV.Q of the financial statements.

Bond Ratings

The District's bonds presently carry an 'AAA' rating with both Fitch Ratings and Standard & Poor's. This long-term rating reflects the guaranty provided by the Texas Permanent School Fund. The underlying rating, reflecting the credit quality before considerations of the guaranty is AA by Fitch and AA- by S&P. Both ratings were affirmed in December 2015, with a stable outlook.

Capital Assets

The District has invested \$551.6 million, net of depreciation, in a broad range of capital assets including land, buildings and improvements, furniture and equipment and vehicles. This amount represents Capital asset additions of \$16 million, depreciation expense of \$19.1 million and retirements of \$.6 million over the past year. Fiscal year 2016 major completed projects include (in millions):

Milam Elementary School Classroom Addition	\$4.6
Clendenin Elementary School A/C System Replacement	1.2
Crockett Elementary School Multipurpose Classroom	1.0
Clendenin Elementary School Multipurpose Classroom	.8
Barron Elementary School Multipurpose Classroom	.8
ADA Accessibility Compliance (Phase 2)	.6
Network Core relocation	<u>.6</u>
Total Major Completed Projects	\$9.6

Table III
El Paso Independent School District

The District's Capital Assets
(in millions of dollars)

<u>Governmental Activities</u>	<u>2016</u>	<u>2015</u>	<u>Variance</u>	<u>Percentage Change</u>
Land	53.6	53.6	0.0	0.0%
Land Improvements	3.1	3.1	0.0	0.0%
Buildings & Improvements	762.0	750.2	11.1	1.6%
Furniture, Equipment & Vehicles	81.4	77.2	4.1	5.3%
Capital Leases	2.4	6.6	(4.2)	(63.6%)
Construction/Software in Progress	11.0	10.4	0.6	5.8%
Totals at Historical Cost	913.5	901.1	12.4	1.4%
Total Accumulated Depreciation	(361.9)	(345.8)	(16.1)	4.7%
Net Capital Assets	551.6	555.3	(3.7)	0.7%

Additional detailed information about the District's capital assets activity is presented in Note IV.G of the Notes to the Financial Statements.

FINANCIAL ANALYSIS OF DISTRICT'S FUNDS

Governmental Funds

The District's accounting records, for general governmental operations, are maintained on a modified accrual basis as prescribed by the *Financial Accountability System Resource Guide*, Texas Education Agency, with the revenues being recorded when available and measureable to finance expenditures of the fiscal period. Expenditures are recorded and the fund liabilities are incurred when services or goods are received. The general governmental operations include the following major funds: General Fund, Texas Literacy Initiative Grant, and 2008 Capital Projects Fund.

The District has established fund balance categories of nonspendable, restricted, committed, assigned and unassigned. A more detailed explanation about the District's Fund Balance can be found in Note I. 21 and Note IV.W to the financial statements.

The District's total governmental fund revenues were \$651.8 million, compared to \$620.8 million in the prior year. Federal Program Revenues increased by \$4.8 million. State aid and grants increased by \$28.3 million. Local revenues decreased \$2.0 million. The Maintenance and Operations tax rate increased to \$1.07, after the voters in the District approved a 3 cent Tax Ratification Election in August 2015.

The District's total governmental fund expenditures for fiscal year 2016 amounted to \$645.6 million compared to \$631.2 million in 2015. Instruction, Instructional Resources, and Instructional Staff Development expenses increased by \$19.3 million. Transportation decreased by \$2.9 million, Food Service decreased by \$1.8 million, and Maintenance and Operations increased approximately \$4.2 million. The principal on the debt service cost decreased \$7.7 million. Facilities, Acquisition and Construction expenses, decreased \$1.2 million. The governmental funds reported a combined fund balance of \$221.7 million, an increase of \$2.5 million. The net increase of the combined fund balances was comprised of a fund balance increase in the General Fund of \$14.3 million, a decrease of \$10.7 million in 2008 Capital Projects Fund, and a decrease in the non-major governmental funds of approximately \$1 million.

The General Fund is the primary operating fund of the District. The General Fund balance increased by \$14.3 million during the fiscal year to \$121.8 million. Revenues came in at approximately 3.5% higher than the adopted budgeted, primarily due increased State funding. State funding was up due to higher average daily attendance than originally budgeted, higher State weighted funding, and the hold harmless provision for the homestead exemption. Federal revenue increased due to higher SHARS/Medicaid and federal indirect revenue.

A portion of the General Fund balance is Nonspendable and held as inventories. This amount is \$2.2 million. Another portion, \$5.0 million, is Restricted and therefore, is legally segregated for a specific future use. It is restricted by TEA for use by the High School Allotment, Career and Technology Education, and State Compensatory Education. Another portion of the General Fund balance is classified as Assigned, which indicates tentative plans for financial resource utilization in a future period. The District assigned a total of \$9.1 million of fund balance.

The General Fund total fund balance of \$121.8 million is equivalent to approximately 24.9% of expenditures and 78.8 days of operational expenditures in the unassigned fund balance. The unassigned fund balance of \$105.6 million, minimizes the likelihood that the District would be required to enter the short-term debt market to pay for current operating expenditures.

The fund balance in the Debt Service Fund is \$27.8 million, up from \$26.6 at year-end 2015. There were less local taxes collected due to the 3 cent decrease in the I&S rate, and the increase in the homestead exemption. There was more State revenue received due to the State hold harmless provision for the homestead exemption. The Interest and Sinking tax rate for fiscal year 2016 decreased to \$.1650.

Proprietary Funds

The Proprietary Funds are those funds which are primarily self-supporting. The District maintains three Proprietary Funds, which are all Internal Service Funds. These funds are the Print Shop, the Workers' Compensation Fund, and the Health Care Clinic Program Fund.

The Print Shop, had an operating income of \$35,777 for the current fiscal year ending 2016. There was also a loss in sale of equipment, of \$17,069. The fund closed the year with a positive total net position balance of \$248,734. The fund has been making a profit, after the reduction in Print Shop staff during the prior fiscal year.

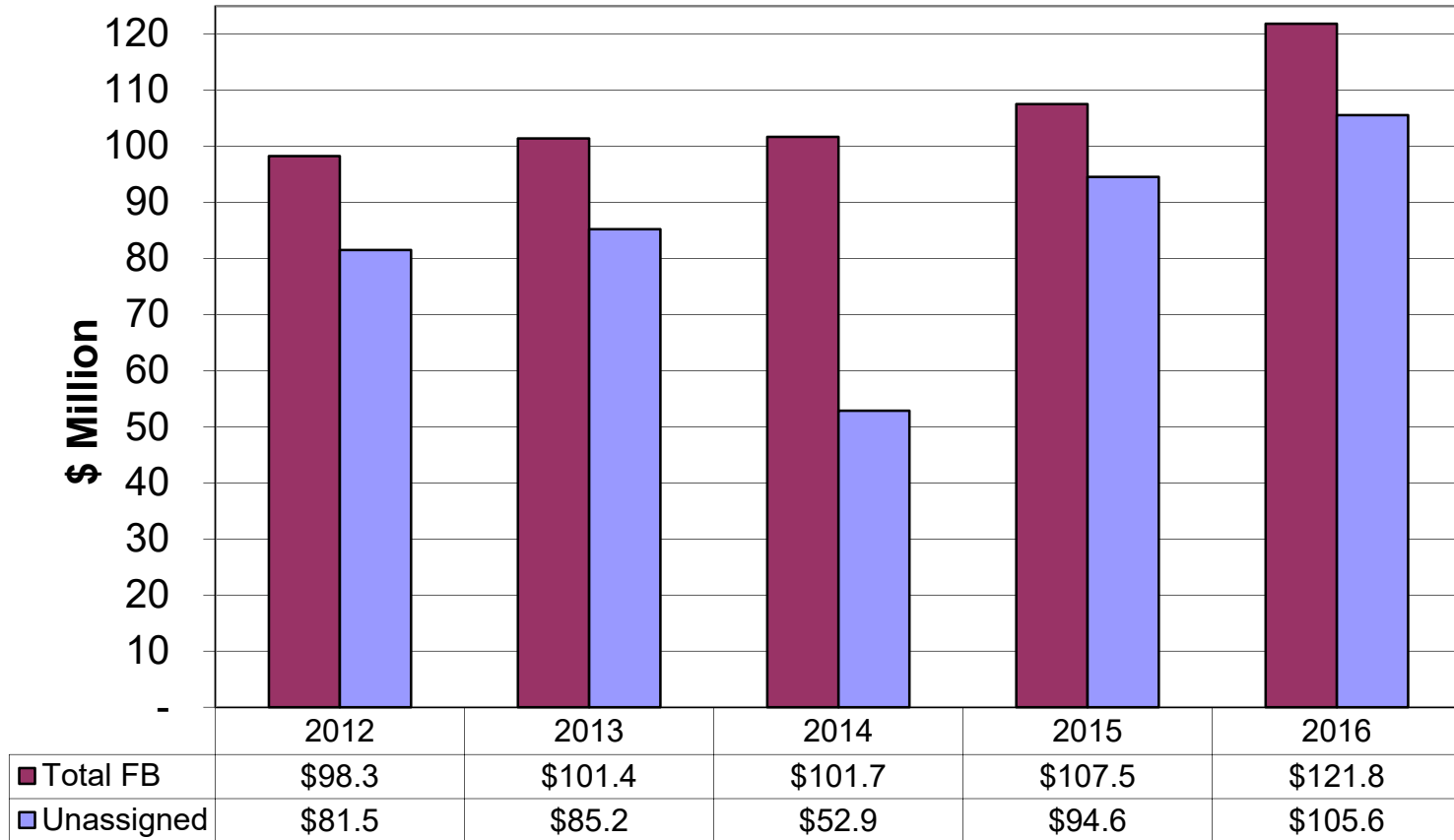
The Workers' Compensation Fund experienced a net loss of \$410,336 for the year ending June 30, 2016. The net position ended at \$4,035,166. The loss was less than the prior year, because the District contributed \$17.50 per employee per month to the fund. Because there were sufficient funds on hand, the District did not contribute to the fund in the prior year. The District also reduced the claims liability from \$9 million to \$7.5 million based on an actuarial analysis of the future funding requirements.

The Health Care Clinic Program had a net gain of \$48,799 for the current fiscal year. During the year, the fund received funding at \$8 per participant in the TRS ActiveCare program. It has an ending net position balance of \$428,862.

Fiduciary Funds

Fiduciary Funds (trust and agency funds) are used to account for assets held by a government, in a trustee capacity or as an agent, for individuals, private organizations, other governmental units, and/or other funds. The District accounts for student activity funds that are received and held by a school. The District accounts for student activity funds as agency funds. These funds have no equity and do not include revenues or expenditures of the District. The District accounts for scholarship funds in a trust fund.

General Fund - Fund Balances



Days of Operational Expenditures in the Unassigned Fund Balance

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
68.1	68.7	40.9	73.4	78.8

Percentage of Total Fund Balance to GF Expenditures

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
22.1%	22.4%	21.6%	22.9%	24.9%

General Fund Current Year Budgetary Highlights

Over the course of the year, the District revised its budget several times. The expenditure budgets were increased by \$11.3 million. The largest increases in the expenditure budget were found in; Function 11 – Instruction in the amount of \$6.0 million for the purchase of musical instruments, teacher & student laptops, instructional materials, summer school personnel costs, and FY15 unused substitute funds that were redistributed to campuses. Function 31 – Guidance, Counseling and Evaluation Services in the amount of \$.9 million was due to the implementation of Star 360 formative assessment software, Function 32 – Social Work Services in the amount of \$.7 million was due to the personnel costs reclassified for the Focus on Children and Family Specialists, Function 34 – Student Transportation in the amount of \$1.0 million for the purchase of buses and vehicles, Function 81 – Facilities Acquisition and Construction in the amount of \$1.8 million of roll-forward funds for ongoing projects. Furthermore, the expenditure budget was increased for purchase orders rolled forward from prior year. Some of the expenditures have been noted above as well as the roll-forward of State Compensatory Education funding in the amount of \$58 thousand for instructional technology, \$733 thousand from the Food Service Fund due to the purchase of equipment, and additional transactions from General Fund for encumbrances from various departments, to include Athletics, Business Office, Police Services, Technology Services, and Instructional Departments.

Total actual revenues were 1% greater than amended budget revenues. The final budgeted amount for revenues was \$501.6 million, and actual revenues totaled \$508 million. Actual local revenues exceeded budget by \$1.8 million. This was due to tax collections exceeding the amended budget. State revenue exceeded budget by \$3.5 million. This was primarily due to ADA coming in at 235 students above projection. Special Education, Career and Technology, and State Compensatory Education, all had higher student counts than the prior year. Actual federal revenues exceeded budget by \$1.1 million. Federal funding for federal indirect, SHARS/Medicare, and Impact Aid all exceeded budget.

Actual expenditures were \$12.2 million less than the appropriated budget amounts. The variances occurred in several areas: Instruction - \$5.1 million, the variance was mainly due to equipment and supplies that were encumbered but not fully paid out prior to year end; to include technology, fine arts and career and technology education equipment and materials. Student transportation ended the fiscal year with unspent funds due to bus and vehicle purchases that were not cleared by year end, the amount was \$1.6 million. General administration had a variance of \$1.4 million in unspent funds for software purchases, consulting and professional services. Lastly, the facilities acquisition and construction area had unspent construction funds totaling \$2.5 million which were rolled forward to next fiscal year to complete various projects. Lastly, security services and data processing services had a remaining budget balance of \$1.1 million due to police vehicle purchases and technology equipment earmarked for the Power Up initiative. Overall, the District experienced savings due to personnel cost savings and vacancies across functions and conservative revenue projections.

However, two areas reported negative variances – these were the areas of curriculum and instructional staff development (\$162 thousand) and school leadership (\$327 thousand). The variance in the curriculum and instructional staff development area resulted with unanticipated costs related to the curriculum writing initiative. The budgetary shortfall in school leadership occurred as a result of additional interim administrators appointed at campuses and TRS On-Behalf costs.

Staffing is budgeted at one hundred percent of actual salary. Budget amounts for vacant positions are monitored to ensure that only limited revisions are allowed for departments. Schools have a flexible revision policy for non-payroll budgets, but cannot transfer excess salary budgets to be used for non-salary purposes. In most cases, unspent payroll dollars are taken back to the fund balance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2017 budget and tax rates. Appraised values used for the 2017 budget preparation increased by \$107.4 million, or .69% greater than 2016. The District is forecasting a decrease in State funding due to lower enrollment. As this is the second year of the legislative biennium, the state funding adjusted allotment increase of \$110 per student, is still in effect.

In August of 2015, the voters in the District approved a Tax Ratification Election which resulted in a 3 cent increase to the M&O rate. The additional 3 cents will increase M&O revenue by \$14 million per year. The District's 2016-17 tax rates are \$1.07 for Maintenance and Operations and \$.1650 for Interest and Sinking. The District's 2017 refined average daily attendance was budgeted at 54,376 students. This is a decrease of 828 from the prior year budget.

The District's Board of Trustees adopted a balanced budget for fiscal year 2016-17. Both revenues and expenditures were budgeted at \$497.7 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances, and to show the District's accountability for the funding it receives. The administration believes that the El Paso Independent School District has sound financial practices. The District has financial challenges ahead such as, completing bond construction on time and within budget, increasing salaries to a competitive level, while increasing the Unassigned Fund Balance. The District is moving in the right direction both financially and educationally.

Many thanks are owed to teachers, campus administrators, support staff, the District's elected and appointed officials, volunteers, and central office administrators, whose purpose is to direct the resources of the District to educate our children. In many cases, these individuals have been asked to make sacrifices to assist the District in achieving its current financial position.

If you have questions about this report or need additional financial information, please contact Carmen Arrieta-Candelaria, Deputy Superintendent Finance and Operations at (915) 230-2801, or Maria D. Pineda, Executive Director, Financial Services at (915) 230-2145 or by mail at El Paso Independent School District, 6531 Boeing Drive, El Paso, Texas, 79925.

The El Paso Independent School District does not discriminate in its educational programs or employment practices on the basis of race, color, creed, age, gender, religion, national origin, marital status, ancestry, citizenship, military status, mental or physical disability, gender stereotyping and perceived gender, or on any other basis prohibited by law. Inquiries concerning the application of Titles VI, VII, IX, and Section 504 may be referred to the District compliance officer, Patricia Cortez, at 230-2033; Section 504 inquiries regarding students may be referred to Kelly Ball at 230-2856.

El Distrito Escolar Independiente de El Paso no discrimina en los programas de educación o en prácticas de empleo usando el criterio de raza, color, credo, edad, genero, religión, origen nacional, estado civil, ascendencia, ciudadanía, estado militar, discapacidad física o mental, estereotipo genero o generoidad percibida, u otra práctica prohibida por la ley. Preguntas acerca de la aplicación del título VI, VII o IX, y la Sección 504 pueden ser referidas al oficial del distrito, Patricia Cortez al 230-2033; preguntas sobre 504 tocante a estudiantes pueden ser referidas a Kelly Ball al 230-2856.

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BASIC FINANCIAL STATEMENTS

EL PASO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 153,251,877
1120 Current Investments	5,000,139
1220 Property Taxes Receivable (Delinquent)	13,677,200
1230 Allowance for Uncollectible Taxes	(7,397,000)
1240 Due from Other Governments	125,529,496
1250 Accrued Interest	214,443
1290 Other Receivables, net	509,170
1300 Inventories	2,193,466
1410 Prepayments	232,305
Capital Assets:	
1510 Land and Land Improvements, Net	56,078,968
1520 Buildings, Net	463,577,788
1530 Furniture and Equipment, Net	20,045,604
1550 Leased Property Under Capital Leases, Net	948,645
1580 Construction/Software in Progress	10,963,456
1800 Restricted Assets	59,272
1990 Long Term Investments	20,221,525
1000 Total Assets	865,106,354
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	19,603,413
1705 Deferred Outflow Related to TRS	58,280,176
1700 Total Deferred Outflows of Resources	77,883,589
LIABILITIES	
2110 Accounts Payable	7,776,374
2140 Interest Payable	5,751,851
2150 Payroll Deductions & Withholdings	7,029,217
2160 Accrued Wages Payable	53,356,149
2200 Accrued Expenses	11,189,011
2300 Unearned Revenue	1,482,359
Noncurrent Liabilities	
2501 Due Within One Year	21,959,273
2502 Due in More Than One Year	408,291,101
2540 Net Pension Liability (District's Share)	127,997,495
2000 Total Liabilities	644,832,830
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	9,525,482
2600 Total Deferred Inflows of Resources	9,525,482
NET POSITION	
3200 Net Investment in Capital Assets	214,574,394
3820 Restricted for Federal and State Programs	3,963,502
3850 Restricted for Debt Service	23,059,889
3890 Restricted for Other Purposes	10,519,727
3900 Unrestricted	36,514,119
3000 Total Net Position	\$ 288,631,631

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

EL PASO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 367,253,806	\$ 967,089	\$ 84,027,771	\$ (282,258,946)
12 Instructional Resources and Media Services	11,508,272	-	1,442,974	(10,065,298)
13 Curriculum and Staff Development	27,621,093	33,087	11,518,017	(16,069,989)
21 Instructional Leadership	5,806,579	6,617	2,097,582	(3,702,380)
23 School Leadership	41,552,398	13,235	3,976,561	(37,562,602)
31 Guidance, Counseling and Evaluation Services	25,763,211	-	7,177,036	(18,586,175)
32 Social Work Services	4,560,677	-	691,487	(3,869,190)
33 Health Services	7,519,152	-	10,939,132	3,419,980
34 Student (Pupil) Transportation	14,378,675	67,892	1,272,501	(13,038,282)
35 Food Services	36,538,545	3,261,490	28,991,416	(4,285,639)
36 Extracurricular Activities	12,323,388	1,290,519	814,951	(10,217,918)
41 General Administration	11,305,588	152,199	1,887,429	(9,265,960)
51 Facilities Maintenance and Operations	54,547,930	122,606	4,310,144	(50,115,180)
52 Security and Monitoring Services	6,459,008	6,617	552,877	(5,899,514)
53 Data Processing Services	6,041,075	6,617	602,323	(5,432,135)
61 Community Services	1,520,291	-	1,418,304	(101,987)
72 Debt Service - Interest on Long Term Debt	13,785,646	-	7,086,000	(6,699,646)
73 Debt Service - Bond Issuance Cost and Fees	181,484	-	-	(181,484)
81 Capital Outlay	593,045	6,617	30,000	(556,428)
99 Other Intergovernmental Charges	2,416,260	-	-	(2,416,260)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 651,676,123	\$ 5,934,585	\$ 168,836,505	(476,905,033)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	166,057,072
DT	Property Taxes, Levied for Debt Service	25,552,979
SF	State Aid - Formula Grants	296,320,100
IE	Investment Earnings	914,170
MI	Miscellaneous Local and Intermediate Revenue	1,643,615
S2	Special Item - Loss on Disposal of Assets	(110,260)
TR	Total General Revenues & Special Items	490,377,676
CN	Change in Net Position	13,472,643
NB	Net Position - Beginning	275,158,988
NE	Net Position--Ending	\$ 288,631,631

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

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

EL PASO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Data Control Codes	General Fund	TX Literacy Initiative and Other	2008 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 64,757,358	\$ -	\$ 55,763,301
1120 Investments - Current	5,000,139	-	-
1220 Property Taxes - Delinquent	11,741,398	-	-
1230 Allowance for Uncollectible Taxes (Credit)	(6,350,000)	-	-
1240 Receivables from Other Governments	98,228,514	10,138,809	-
1250 Accrued Interest	27,585	-	51,514
1260 Due from Other Funds	18,418,440	-	4,518
1290 Other Receivables	473,463	-	-
1300 Inventories	2,193,466	-	-
1800 Restricted Assets	-	-	-
1900 Long Term Investments	-	-	7,091,370
1000 Total Assets	<u>\$ 194,490,363</u>	<u>\$ 10,138,809</u>	<u>\$ 62,910,703</u>
LIABILITIES			
2110 Accounts Payable	\$ 6,491,537	\$ 477,698	\$ 16,593
2150 Payroll Deductions and Withholdings Payable	7,029,217	-	-
2160 Accrued Wages Payable	47,705,727	438,027	-
2170 Due to Other Funds	4,522,786	7,762,946	-
2200 Accrued Expenditures	1,280,556	1,460,138	356,668
2300 Unearned Revenues	478,271	-	-
2000 Total Liabilities	<u>67,508,094</u>	<u>10,138,809</u>	<u>373,261</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	5,144,428	-	-
2600 Total Deferred Inflows of Resources	<u>5,144,428</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	2,193,466	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	62,537,442
3480 Retirement of Long-Term Debt	-	-	-
3490 Other Restricted Fund Balance	4,972,470	-	-
Assigned Fund Balance:			
3550 Construction	1,569,544	-	-
3570 Capital Expenditures for Equipment	3,958,173	-	-
3590 Other Assigned Fund Balance	3,578,657	-	-
3600 Unassigned Fund Balance	105,565,531	-	-
3000 Total Fund Balances	<u>121,837,841</u>	<u>-</u>	<u>62,537,442</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 194,490,363</u>	<u>\$ 10,138,809</u>	<u>\$ 62,910,703</u>

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

Other Funds	Total Governmental Funds
\$ 24,735,747	\$ 145,256,406
-	5,000,139
1,935,802	13,677,200
(1,047,000)	(7,397,000)
17,162,173	125,529,496
98,243	177,342
4,294,022	22,716,980
35,707	509,170
-	2,193,466
59,272	59,272
8,802,379	15,893,749
<u>\$ 56,076,345</u>	<u>\$ 323,616,220</u>
\$ 625,456	\$ 7,611,284
-	7,029,217
5,211,084	53,354,838
10,426,693	22,712,425
582,852	3,680,214
1,004,088	1,482,359
<u>17,850,173</u>	<u>95,870,337</u>
865,550	6,009,978
<u>865,550</u>	<u>6,009,978</u>
-	2,193,466
3,963,502	3,963,502
-	62,537,442
27,849,863	27,849,863
5,547,257	10,519,727
-	1,569,544
-	3,958,173
-	3,578,657
-	105,565,531
<u>37,360,622</u>	<u>221,735,905</u>
<u>\$ 56,076,345</u>	<u>\$ 323,616,220</u>

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EL PASO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances - Governmental Funds	\$ 221,735,905
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	4,712,762
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$901,147,255 and the accumulated depreciation was (\$345,823,546). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	45,375,209
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.	103,288,025
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$127,997,495, a Deferred Resource Inflow related to TRS in the amount of \$9,525,482 and a Deferred Resource Outflow related to TRS in the amount of \$58,280,176. This amounted to a decrease in Net Position in the amount of \$79,242,801.	(79,242,801)
5 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(19,111,691)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	11,874,222
19 Net Position of Governmental Activities	<u>\$ 288,631,631</u>

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

EL PASO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	General Fund	TX Literacy Initiative and Other	2008 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 169,915,889	\$ -	\$ 248,575
5800 State Program Revenues	321,835,081	-	-
5900 Federal Program Revenues	16,232,373	19,557,537	-
5020 Total Revenues	<u>507,983,343</u>	<u>19,557,537</u>	<u>248,575</u>
EXPENDITURES:			
Current:			
0011 Instruction	288,097,031	14,332,437	-
0012 Instructional Resources and Media Services	10,262,397	-	-
0013 Curriculum and Instructional Staff Development	15,728,481	4,733,753	-
0021 Instructional Leadership	3,554,158	40	-
0023 School Leadership	37,428,300	320	-
0031 Guidance, Counseling and Evaluation Services	18,035,679	320	-
0032 Social Work Services	3,838,158	104,034	-
0033 Health Services	6,599,795	-	-
0034 Student (Pupil) Transportation	13,210,258	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	11,788,940	-	-
0041 General Administration	10,558,626	-	-
0051 Facilities Maintenance and Operations	50,990,579	4,617	-
0052 Security and Monitoring Services	5,930,107	47,325	-
0053 Data Processing Services	6,205,742	334,691	(30,510)
0061 Community Services	33,926	-	-
Debt Service:			
0071 Principal on Long Term Debt	1,924,004	-	-
0072 Interest on Long Term Debt	344,532	-	-
0073 Bond Issuance Cost and Fees	1,500	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	2,329,063	-	10,960,619
Intergovernmental:			
0099 Other Intergovernmental Charges	2,416,260	-	-
6030 Total Expenditures	<u>489,277,536</u>	<u>19,557,537</u>	<u>10,930,109</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,705,807</u>	<u>-</u>	<u>(10,681,534)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	(684,059)	-	-
8949 Other (Uses)	(3,720,637)	-	-
7080 Total Other Financing Sources (Uses)	<u>(4,404,696)</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	14,301,111	-	(10,681,534)
0100 Fund Balance - July 1 (Beginning)	<u>107,536,730</u>	<u>-</u>	<u>73,218,976</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 121,837,841</u>	<u>\$ -</u>	<u>\$ 62,537,442</u>

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

Other Funds	Total Governmental Funds
\$ 30,004,902	\$ 200,169,366
15,943,311	337,778,392
78,135,783	113,925,693
124,083,996	651,873,451
39,263,091	341,692,559
490,361	10,752,758
5,865,707	26,327,941
1,817,900	5,372,098
761,416	38,190,036
5,956,338	23,992,337
356,775	4,298,967
279,281	6,879,076
270,729	13,480,987
35,505,459	35,505,459
145	11,789,085
-	10,558,626
1,991,138	52,986,334
77,721	6,055,153
-	6,509,923
1,418,080	1,452,006
16,004,545	17,928,549
15,560,297	15,904,829
179,984	181,484
30,000	13,319,682
-	2,416,260
125,828,967	645,594,149
(1,744,971)	6,279,302
684,059	684,059
-	(684,059)
-	(3,720,637)
684,059	(3,720,637)
(1,060,912)	2,558,665
38,421,534	219,177,240
\$ 37,360,622	\$ 221,735,905

EL PASO INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	2,558,665
 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		 (342,829)
 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to decrease net position.		 33,956,853
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		 (19,111,691)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		 6,323,274
 The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$9,297,603. Contributions made before the measurement date and during the 2015 FY were expended in the 2016 FY and recorded as an increase in net pension expense for the District. This also caused a decrease in the change in net position in the amount of \$9,278,654. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position of \$9,930,578. The impact of all of these is to decrease the change in net position by \$9,911,629.		 (9,911,629)
 Change in Net Position of Governmental Activities	 \$	 <u>13,472,643</u>

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

PROPRIETARY FUND FINANCIAL STATEMENTS

EL PASO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 7,995,471
Accrued Interest	37,101
Due from Other Funds	224,246
Total Current Assets	<u>8,256,818</u>
Noncurrent Assets:	
Capital Assets:	
Furniture and Equipment	239,583
Depreciation on Furniture and Equipment	(207,416)
Long Term Investments	4,327,776
Total Noncurrent Assets	<u>4,359,943</u>
Total Assets	<u>12,616,761</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	165,090
Accrued Wages Payable	1,311
Due to Other Funds	228,801
Accrued Expenses	7,508,797
Total Liabilities	<u>7,903,999</u>
NET POSITION	
Net Investment in Capital Assets	32,167
Unrestricted Net Position	4,680,595
Total Net Position	<u>\$ 4,712,762</u>

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

EL PASO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 3,273,342
Total Operating Revenues	<u>3,273,342</u>
OPERATING EXPENSES:	
Payroll Costs	2,735,907
Professional and Contracted Services	725,911
Supplies and Materials	164,287
Other Operating Costs	48,228
Depreciation Expense	9,920
Total Operating Expenses	<u>3,684,253</u>
Operating Income (Loss)	<u>(410,911)</u>
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	85,151
(Loss) on Sale of Real and Personal Property	(17,069)
Total Nonoperating Revenues (Expenses)	<u>68,082</u>
Change in Net Position	(342,829)
Total Net Position - July 1 (Beginning)	<u>5,055,591</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 4,712,762</u></u>

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

EL PASO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 39,864
Cash Received from Assessments - Other Funds	3,177,059
Cash Payments to Employees for Services	(1,069,275)
Cash Payments for Insurance Claims	(3,166,766)
Cash Payments for Suppliers	(1,335,358)
Cash Payments for Other Operating Expenses	(48,228)
Net Cash Used for Operating Activities	<u>(2,402,704)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Proceeds from Disposal of Assets	<u>10,749</u>
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	(2,938,549)
Proceeds from Sale & Maturities of Securities	981,791
Interest and Dividends on Investments	<u>85,151</u>
Net Cash Provided by (Used for) Investing Activities	<u>(1,871,607)</u>
Net Decrease in Cash and Cash Equivalents	(4,263,562)
Cash and Cash Equivalents at Beginning of Year	<u>12,259,033</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,995,471</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (410,911)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	9,920
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due from Other Funds	(56,419)
Increase (decrease) in Accounts Payable	(27,201)
Increase (decrease) in Accrued Wages Payable	(134)
Increase (decrease) in Due to Other Funds	(418,355)
Increase (decrease) in Accrued Expenses	<u>(1,499,604)</u>
Net Cash Used for Operating Activities	<u>\$ (2,402,704)</u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

EL PASO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 2,299,931
Restricted Assets	165,860	-
Total Assets	<u>165,860</u>	<u>\$ 2,299,931</u>
LIABILITIES		
Due to Student Groups	-	\$ 2,299,931
Total Liabilities	<u>-</u>	<u>\$ 2,299,931</u>
NET POSITION		
Restricted for Other Purposes	<u>165,860</u>	
Total Net Position	<u>\$ 165,860</u>	

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

EL PASO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 10,798
Total Additions	<u>10,798</u>
DEDUCTIONS:	
Other Operating Costs	<u>35,302</u>
Total Deductions	<u>35,302</u>
Change in Net Position	(24,504)
Total Net Position - July 1 (Beginning)	<u>190,364</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 165,860</u></u>

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

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

El Paso Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB), and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board of Trustees (the "Board") is elected by the public. It has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB).

The decisions to include or exclude a potential component unit in the reporting entity were made by applying standards contained in GAAP. The primary standard for including or excluding a potential component unit is whether it is financially dependent on the reporting entity. The fiscal dependency criterion also requires that a financial benefit or burden relationship be present in order for a potential component unit to be included in the financial reporting entity. Other manifestations of the ability to exercise oversight responsibility include, but certainly are not limited to, the selection of the governing authority, the designation of management, the ability to materially influence operations and accountability for fiscal matters. The second standard used to evaluate potential component units is the scope of public services. Application of this standard entails considering whether the activity benefits the District, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. The third standard involved in evaluating whether potential component units are included or excluded from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

The above standards were applied to the El Paso Independent School District Administrative Public Facility Corporation, and the District determined that it is a component unit of the District.

El Paso Independent School District Administrative Public Facility Corporation

On February 17, 2015, the District approved a Resolution authorizing the formation of the El Paso Independent School District Administrative Public Facility Corporation (Corporation). The Corporation is a nonprofit public corporation organized exclusively to act on behalf of the District to finance, refinance, or provide the costs of certain public facilities. For the year ended June 30, 2016, the Corporation did not hold any assets or liabilities and did not have any activity. In addition, the Board of Directors did not hold any meetings during the fiscal year ended June 30, 2016.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For pensions, this outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual economic experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over a systematic and rational method over a closed period.

In addition to liabilities, the statement of net positions reports a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For pensions, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a systematic and rational method over a closed period.

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's fiduciary net position. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. 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.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function of the District. Examples include tuition paid by students not residing in the District, school lunch charges, athletic and extracurricular/cocurricular activities, etc. The "grants and contributions" columns include amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund activities between governmental funds and between governmental and proprietary funds appear as a due to or due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other financing sources and uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as a due to or due from on the government-wide Statement of Net Position.

The fund financial statements report on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, current assets, deferred outflows of resources, current liabilities, deferred inflows of resources, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues, other than property tax revenues, available if they are collectible within one year after year end.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, that is, when they are both measurable and available. The District considers them “available” if they will be collected within 60 days of the end of the fiscal year. 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.

Unavailable revenue from property taxes arises only under the modified accrual basis of accounting. The governmental funds report this unavailable revenue as a deferred inflow of resources and recognize revenue in the period that the amounts become available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and deferred outflows of resources, and all liabilities and deferred inflows of resources, associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted, and unrestricted net position.

D. Fund Accounting

The District reports the following major governmental funds:

1. **The General Fund** - The general fund is the District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Texas Literacy Initiative and Other Grants** - This fund accounts for the activity related to various federally funded special revenue funds. The largest grant being recorded in this fund is the Texas Literacy Initiative, the purpose of which is to advance literacy skills, including pre-literacy skills, reading and writing for students from birth through grade 12, including limited-English -proficient students and students with disabilities.
3. **2008 Capital Projects Fund** - This fund accounts for the construction activity related to the 2008 bonds to construct, renovate, acquire and equip school buildings in the District.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the District reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or committed for, specific purposes by the Board or a grantor in a special revenue fund. Most Federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Food Service Fund is the only required deferred fund. For all other funds in this fund type, project accounting is employed to maintain fiscal integrity for the various sources of funds. The District's Food Service Fund is considered a special revenue fund since it meets the following criteria:

- User fees are charged to supplement the National School Lunch Program (NSLP),
- The General Fund may subsidize the Food Service Program for expenditures in excess of NSLP, and
- Food Service fund balances are used exclusively for child nutrition program purposes.

2. **Debt Service Funds** -

Debt Service Fund (Main) - This fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

QSC-MTN Sinking - The District accounts for resources accumulated to pay for principal and interest on the Qualified School Construction Maintenance Tax Notes in this fund.

3. **Permanent Funds** - The District has no permanent funds.

Proprietary Funds:

4. **Enterprise Funds** - The District has no enterprise funds.
5. **Internal Service Funds** - These funds are used to account for goods or services provided by one department to other departments of the District on a cost reimbursement basis. The revenues and expenses related to services provided to departments within the District are accounted for in an internal service fund.

The District's Internal Service Funds are as follows:

Print Shop - This fund accounts for transactions related to print shop services provided to other departments of the District.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Workers' Compensation Fund - This fund accounts for all financial activity associated with the District's self-insured workers' compensation plan.

Health Care Clinic Program - This fund accounts for all financial activity associated with the District contribution and payments to an outside vendor for employee Health Clinics. Services are available to all full-time and part-time employees. Eligible dependents must be covered under the TRS-AC Health Plan to obtain services.

Fiduciary Funds:

6. **Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has a private purpose trust fund to account for scholarships.
7. **Pension (and Other Employee Benefit) Trust Funds** - The District has no pension (and other employee benefit) trust funds.
8. **Investment Trust Funds** - The District has no investment trust funds.
9. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency fund is used to account for activities of student groups.

E. Other Accounting Policies

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. All investments are stated at fair value. If applicable, premiums and discounts on investments are amortized or accreted using the straight-line method, which approximates the interest method, over the terms of the related securities.
3. The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

5. Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk:

Deposits - Credit risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in public funds investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2016, the District's investments in TexStar and Tex Pool investment pools were rated AAAM by Standard & Poor's. The Lone Star Investment Pool was rated AAA and Texas Term was rated AAAs by Standard & Pools. Credit Risk is not applicable to the collateralized BBVA Public Funds Money Market Account.

Short-term and Long-term Investments - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in U.S. Agencies to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). All of the Municipal Bonds have a rating of A or better as required by policy. The Federal Agency Securities and the Collateralized Mortgage Obligations (CMOs) held by the District as of June 30, 2016, do not require disclosure of credit quality ratings since they are guaranteed or secured by the Federal Government.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Custodial Credit Risk:

Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District has a contract that complies with this law, it has minimal custodial credit risk for deposits.

Temporary Investments (Cash Equivalents) - To limit the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. Investment pools are not categorized or exposed to custodial risk because they are not evidenced by securities that exist in physical or book-entry form. The BBVA Public Funds Money Market Account is covered in part by FDIC, and the remaining amount is secured by a letter of credit in the amount of \$38,500,000.

Short-term and Long-term Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk:

Deposits - Concentration of credit risk is not applicable to the deposits.

Temporary Investments (Cash Equivalents) - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to the BBVA Public Funds Money Market Account or to investment pools since the purpose of these are to diversify the District's investment portfolio.

Short-term and Long-term Investments - To limit the risk of loss attributed to the magnitude of the District's investment in a single issuer, the District's policy states that the portfolio must be diversified. The District's investments in securities are in Municipal Bonds from various entities, Federal Agency Securities, and Collateralized Mortgage Obligations. The Municipal Bonds are approximately 7.6% of total governmental investments, and the Federal Agency Securities are approximately 3.3% of total governmental investments. The CMOs are approximately 3.0% of total governmental investments.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Rate Risk:

Deposits - Interest rate risk is not applicable to deposits.

Temporary Investments (Cash Equivalents) - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires its investment portfolio for the general fund to have maturities of less than one year and a weighted average maturity of a maximum of 180 days for investments from all funds. Each pool invests in different investment instruments and each portfolio has varying maturities. All of the District's investment pools use amortized cost and, therefore, the interest rate risk disclosure is not applicable. The District has a contract that guarantees a yield of the 30 day Libor rate for the BBVA Public Funds Money Market Account.

Short-term and Long-term Investments - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires its investment portfolio to have maturities of less than one year for the general fund and a weighted average maturity of a maximum of 180 days for all investments. As of June 30, 2016, management calculated the District's WAM for the general fund at 12 days, and the total WAM was 141 days.

Foreign Currency Risk:

Deposits - The District limits the risk that changes in exchange rates will adversely affect a deposit by not having any deposits denominated in a foreign currency.

Temporary Investments (Cash Equivalents) - The District is not exposed to the risk that changes in exchange rates will adversely affect the fair value of an investment as the money market account and investment pools are not denominated in a foreign currency.

Short-term and Long-term Investments - The District is not exposed to the risk that changes in exchange rates will adversely affect the fair value of an investment as none of the investments are denominated in any foreign currencies.

6. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.
8. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.
9. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method and are presented as a component of non-current liabilities and deferred charges on refundings are presented as deferred outflows of resources. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. It is the District's policy to require vacations to be taken in the year earned and any unused days at the end of the fiscal year are generally forfeited after a six-month period. Employees are entitled to sick leave based on the category/class of employment. Sick leave is allowed to be accumulated but does not vest. Upon resignation and qualified retirement of grandfathered employees, the District pays one-half accrued sick leave in a lump-sum cash payment to each employee or his/her beneficiary or estate based on the salary or wages for the last year of employment. A liability for these amounts is reported in the governmental funds only if they have matured as a result of employee resignations and retirements, but all eligible sick leave is accrued when incurred in the government-wide financial statements.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Capital assets, which include land, buildings, furniture, vehicles, and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	10 - 50
Buildings and Building Improvements	20 - 50
Furniture and Equipment	10
Buses	10
Technology Equipment	5
Vehicles, Transportation Equipment	5 - 10

12. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government - wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
13. The District sponsors a self-insured plan for worker's compensation benefits to employees. Revenues for this Internal Service Fund are received from interest on investments as well as from the District contributions on behalf of the employees. The contributions are then charged as an expenditure to the various funds where the employee's salary is charged. Expenses are comprised of claims incurred during the fiscal year, professional and contracted services, and other miscellaneous expenses.

The District provides for estimated incurred but not reported claims for its workers' compensation through the establishment of undiscounted accrued liabilities. At June 30, 2016, the accrued liability amounted to \$7,500,000 for the workers' compensation fund.

The General Fund is contingently liable for liabilities of this fund. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the District.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The entire fund balances in the Special Revenue, Debt Service, and Capital Projects Funds have such restrictions. Since the entire fund balance is restricted for these funds, all assets are in essence restricted for their specified purpose.
15. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
16. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.
17. In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.
18. The District receives substantial amounts of funding from special revenue sources. The majority of this money is cost reimbursement to the District by the federal government or Texas Education Agency. The portion of revenue allowable for indirect cost is credited as revenue to the General Fund and as a reduction to revenue in the Special Revenue Fund, as appropriate. These indirect costs are fully allocated to function 41.
19. Preparation of these financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

20. Net Position on the Statement of Net Position includes the following:

Net investment in capital assets - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.

Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.

Restricted for Debt Service - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.

Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

21. Fund Balance

The District reports the following fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable fund balance** - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted fund balance** - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). These amounts are committed through a formal action of the Board. Once reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assigned fund balance** - amounts the District intends to use for a specific purpose. Intent can be expressed by the Superintendent or the Officer position as named in the local policy approved by the Board March 29, 2011.
- **Unassigned fund balance** - amounts that are available for an appropriate purpose. Positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is established by the Superintendent or the Deputy Superintendent of Finance and Operations for a specific purpose, such as, the purchase of capital assets, construction, debt service, or for other purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in their commitment or assignment actions.

In fiscal year 2011, the Board of Trustees adopted a targeted fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be between 17 percent (60 days) and 25 percent (90 days) of the operating expenditures.

The District shall target a yearly minimum restricted debt service fund balance of 25 percent of annual debt service requirements on all outstanding debt issuance.

- F. As of June 30, 2016, the District implemented *GASB No. 72, Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The District also implemented *GASB No. 82, Pension Issues* in fiscal year 2016. Accordingly, the Required Supplementary Information Schedules for the Teacher Retirement System of Texas are presented in accordance with this statement.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, and the District's proportionate share of the net pension liability are not due and payable in the current period and are not reported as liabilities in the funds.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position.

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of reclassifying other resources, other uses and various other items. In addition, certain pension expenditures were de-expended and the District recorded their proportionate share of the pension expense.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Funds, and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The Board does not legally adopt a budget for the other special revenue funds since the budgets are determined by the grantor. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-2 and J-3.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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

1. Prior to June 19, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. On June 23, 2015, the budget was legally enacted through the approval of a motion by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.

Throughout the year various budget amendments were processed, however the following are amendments management believes were most significant. A budget amendment in the amount of \$8 million was processed for the roll-forward of purchases from fiscal year 2015. This amendment effected several functions, most notably, instruction, facilities maintenance and operations, and facilities acquisition and construction. Amendments were also processed to realign payroll costs between functions and various object codes, which changed budgeted amounts in instruction by a \$1 million increase, curriculum development by a \$1.6 million decrease, transportation by a \$1 million increase, and in facilities maintenance by a \$1.8 million decrease. An amendment was also processed to account for additional TRS On-Behalf revenue and expenditures which effected guidance and counseling services with an \$840,000 increase. Also, a budget amendment was necessary to align funding in correct account coding for the facilities maintenance and construction needs in the amount of \$2.4 million. Additionally, an amendment for \$6.6 million was necessary to amend the State and Current Year Tax Revenue to account for the loss in local taxes and increase in State funding for the State hold harmless homestead exemption. At year end, amendments related to early pay-offs of bus lease agreement for \$1 million and limited tax refunding bonds series 2014 in the amount of \$2.7 million were processed. Lastly, an amendment to record additional revenue in the amount of \$10.7 million related to an increase in state foundation revenue, TRS On-Behalf, and SHARS revenue was recorded; and an amendment for \$6.6 million, which effected all funds, was necessary to reflect the TRS On-Behalf costs by function as well as cover anticipated deficits within several functions.

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

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits

Cash at Depository Bank - At June 30, 2016, the carrying amount of the District's general fund, nonmajor governmental funds, internal service funds, and agency funds deposits (cash and interest-bearing savings accounts) were \$(5,860,622), \$6,040, \$3,815,575 and \$849,281, respectively, and the total bank balance was \$7,125,253. Except as noted below, the District's cash deposits at June 30, 2016, and during the year ended June 30, 2016, were fully covered by federal depository insurance or pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: Wells Fargo Bank - El Paso, Texas.
- b. The highest combined balances of cash, savings, and time deposit accounts amounted to \$9,155,062 and occurred during the month of August 2015.
- c. The total amount of FDIC coverage at the time of the highest combined balance was \$500,000.
- d. The estimated market value of securities pledged as of the date of the highest combined balance on deposit was \$9,632,062.

B. Temporary Investments

The District's temporary investments included in cash and cash equivalents at June 30, 2016, are shown below at fair value, which approximates the value of the pool shares:

<u>Temporary Investments</u>	<u>Governmental Activities</u>					<u>Agency Funds</u>
	<u>General Fund</u>	<u>2008 Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total Governmental Activities</u>	
TexPool Investment Pool	\$ 14,994,598	\$ -	\$ -	\$ -	\$ 14,994,598	\$ 1,450,650
TexPool Prime Investment Pool	10,295,457	-	7,719,302	4,179,896	22,194,655	-
TexStar Investment Pool	278,247	-	-	-	278,247	-
Texas Term Investment Pool	6,000,352	12,000,103	-	-	18,000,455	-
Lone Star Investment Pool	39,049,326	23,663,893	17,010,405	-	79,723,624	-
BBVA Public Funds Money Market Account	-	20,099,305	-	-	20,099,305	-
Total	\$ 70,617,980	\$ 55,763,301	\$ 24,729,707	\$ 4,179,896	\$ 155,290,884	\$ 1,450,650

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

In addition to the above Texpool Funds, the District also has funds invested in Texpool for the Bray Milk Trust in the National Breakfast and Lunch Program in the amount of \$59,272 and in the Private Purpose Trust in the amount of \$165,860 which are shown as restricted assets.

TexPool is a local government investment pool in the State of Texas. The State Comptroller of Public Accounts oversees TexPool. There is also a TexPool Advisory Board, composed of participants, which advises on TexPool's investment policy and approves fee increases. Texas Short Term Asset Reserve Program, TexStar, is a public funds investment pool created under the Interlocal Cooperation Act, and is administered by First Southwest Company, LLC, Inc. and J.P. Morgan Investment Management Inc. TexStar has an advisory board composed of participants in TexStar and other persons who do not have a business relationship with TexStar. The TexStar board has the authority to invest deposited funds and perform other administrative activities necessary to accomplish the objectives of TexStar. The LoanStar Investment Pool is administered TASB's wholly owned subsidiary, First Public. The investment advisors for the pool are American Beacon Advisors and Standish Mellon Investment Managers. The custodian bank is State Street Bank of Boston. Texas Term is a local government investment pool which has an elected Advisory Board made up of Texas public finance officials. The investment advisor and administrator for the pool is PFM Asset Management LLC. The custodian bank is U.S. Bank National Association.

Management is not aware of the presence of any limitations or restrictions on withdrawals such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates.

C. Short Term and Long Term Investments

The District's short term and long term investments at June 30, 2016, are shown below at fair value:

Investments	General Fund	2008 Capital Projects Fund	NonMajor Governmental Funds	Internal Service Funds	Investment Maturities (in years)		Weighted Average Maturity (in days)	Credit Ratings
					Less than 1 year	More than 1 year		
Short-term Investments								
Municipal Bonds:								
Florida St. Hurricane Catastrop. - Ser. A	\$ 2,000,000	\$ -	\$ -	\$ -	\$ 2,000,000	\$ -	1	AA
Austin TX TXBL-Ref. Public Impt. - Ser. B	1,000,670	-	-	-	1,000,670	-	1	AAA
Securities:								
Federal Farm Credit Bank	1,999,469	-	-	-	1,999,469	-	1	AA+
Total short-term investments	5,000,139	-	-	-	5,000,139	-		

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

Investments	General Fund	2008 Capital Projects Fund	NonMajor Governmental Funds	Internal Service Funds	Investment Maturities (in years)		Weighted Average Maturity (in days)	Credit Ratings
					Less than 1 year	More than 1 year		
Long-term Investments								
Repurchase Agreement invested in Collateralized Mortgage Obligations	-	-	5,407,474	-	-	5,407,474	100	N/A
Securities:								
Federal Farm Credit Bank	-	2,000,120	-	-	2,000,120	-	1	N/A
Federal Home Loan Bank	-	-	2,009,978	-	2,009,978	-	2	AA+
Municipal Bonds:								
New York NY Taxable Fiscal 2008-Subser D2	-	5,091,250	-	-	5,091,250	-	4	AA
Worcester MA TXBL-BANS- Ser. B	-	-	1,384,927	-	1,384,927	-	1	MIG1
Fulton Cnty GA Dev Auth Ref-Robert W Woodruff Arts Ctr.- Ser. B	-	-	-	402,268	-	402,268	1	A2
Mooresville NC Ltd. Oblig. Series 2015	-	-	-	1,384,108	-	1,384,108	4	AA-
Florida St. Hurricane Catastrop. - Ser. A	-	-	-	2,541,400	-	2,541,400	10	AA
Total long-term investments	-	7,091,370	8,802,379	4,327,776	10,486,275	9,735,250		
Total Investments	\$ 5,000,139	\$ 7,091,370	\$ 8,802,379	\$ 4,327,776	\$ 15,486,414	\$ 9,735,250		

On February 18, 2010, the District entered into a Master Repurchase Agreement with Morgan Stanley and The Bank of New York Mellon. The parties agreed that the pricing rate used for the transactions shall be 4.00% per annum and the margin percentage shall be 102% with regard to eligible securities specified in the Repurchase Agreement. Maturity dates shall not exceed the date that the notes will be paid which is August 15, 2025. The above CMOs were secured by pledged securities with an estimated fair market value of \$5,488,586 as of June 30, 2016.

Because investing is not a core part of the District's mission, the District determines that the disclosures related to these investments only need to be disaggregated by major type. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- U.S. Treasury securities of \$6,009,567 are valued using market closing prices under the market approach (Level 1 inputs).
- Municipal bonds and the CMOs of \$19,212,097 are valued using market closing prices under the market approach (Level 2 inputs).

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Receivables from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. A majority of federal grants shown below are passed through the TEA. Management has deemed that no allowance for doubtful accounts is necessary for fair presentation as there is usually no risk of uncollectibility. Amounts due from federal and state governments as of June 30, 2016, are summarized as follows:

Description	General Fund	TX Literacy Initiative and Other	Nonmajor Governmental Funds	Total
State Entitlement Grants	82,566,530	-	-	82,566,530
SHARS	15,661,984	-	-	15,661,984
Texas Literacy Initiative	-	9,355,491	-	9,355,491
Title I, A Improving Basic Program	-	-	7,130,152	7,130,152
IDEA - Part B Formula	-	-	3,361,377	3,361,377
Title II, A Training and Recruiting	-	-	1,879,070	1,879,070
Title III, A English Language Acquisition	-	-	1,168,292	1,168,292
State Textbook Fund	-	-	1,253,382	1,253,382
Food Service/Summer Feeding	-	-	1,013,726	1,013,726
Military Connected Schools	-	708,313	-	708,313
Career and Technical - Basic Grant	-	-	467,573	467,573
SSA - Regional Day School - Deaf	-	-	242,242	242,242
Other Federal Grants	-	75,005	132,906	207,911
Adult Basic Education	-	-	196,864	196,864
Other State Grants	-	-	21,619	21,619
IDEA - Part B Preschool	-	-	135,401	135,401
RDSPD Tuition funds	-	-	157,865	157,865
DOD Construction Grant	-	-	1,704	1,704
Total	98,228,514	10,138,809	17,162,173	125,529,496

E. Interfund Balances and Transfers

The interfund balances are the result of normal operations and are cleared out periodically. Management intends to pay out these balances within one year.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund balances at June 30, 2016, consisted of the following amounts:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
TX Literacy Initiative and Other	\$ 7,762,946	\$ -
2008 Capital Project Fund	-	4,518
Nonmajor Governmental Funds	10,426,693	4,294,022
Internal Service Funds	<u>228,801</u>	<u>224,246</u>
Total General Fund	<u>18,418,440</u>	<u>4,522,786</u>
TX Literacy Initiative and Other:		
General Fund	<u>-</u>	<u>7,762,946</u>
2008 Capital Project Fund:		
General Fund	<u>4,518</u>	<u>-</u>
Nonmajor Governmental Funds:		
General Fund	<u>4,294,022</u>	<u>10,426,693</u>
Internal Service Funds:		
General Fund	<u>224,246</u>	<u>228,801</u>
Total	<u>\$ 22,941,226</u>	<u>\$ 22,941,226</u>

Interfund transfers generally fall within two categories: (1) transfers to cover debt service payments to comply with debt covenants, and (2) transfers to cover operating expenditures/deficits in accordance with District policy or legal requirements. Interfund transfers do not require repayment.

Interfund transfers for the year ended June 30, 2016, consisted of the following amounts:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Nonmajor Governmental Funds	\$ -	\$ 684,059
Nonmajor Governmental Funds:		
General Fund	<u>684,059</u>	<u>-</u>
Total	<u>\$ 684,059</u>	<u>\$ 684,059</u>

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Disaggregation of Other Receivables and Accrued Expenditures

Other Receivables as of June 30, 2016, consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Legal Fees - due from other Districts	\$ 93,052	\$ -	\$ 93,052
City Tax office	216,391	35,707	252,098
Miscellaneous other receivables	164,020	-	164,020
Total	\$ 473,463	\$ 35,707	\$ 509,170

Other Receivables are reported at gross value. Management has determined that an allowance for doubtful accounts is not necessary for fair presentation.

Accrued Expenditures as of June 30, 2016, consisted of the following:

	General Fund	TX Literacy Initiative and Other	2008 Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Total Governmental Activities
Workers Compensation Claims	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,500,000	\$ 7,500,000
Professional and Contracted Services	485,979	390,937	-	9,657	886,573	7,679	894,252
Supplies and materials	514,008	694,655	-	496,756	1,705,419	1,118	1,706,537
Capital Outlay	37,950	334,691	356,668	36,300	765,609	-	765,609
Miscellaneous	242,619	39,855	-	40,139	322,613	-	322,613
Total	\$ 1,280,556	\$ 1,460,138	\$ 356,668	\$ 582,852	\$ 3,680,214	\$ 7,508,797	\$ 11,189,011

G. Capital Asset Activity

Capital asset activity for the District for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Transfers/ Adjustments	Retirements	Ending Balance
Non-depreciable assets:					
Land	\$ 53,591,804	\$ -	\$ -	\$ -	\$ 53,591,804
Construction in progress	9,051,774	13,132,998	(11,821,849)	(406,370)	9,956,553
Software in progress	1,327,595	243,265	(563,957)	-	1,006,903
Total non-depreciable assets	63,971,173	13,376,263	(12,385,806)	(406,370)	64,555,260

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Additions	Transfers/ Adjustments	Retirements	Ending Balance
Depreciable assets:					
Land Improvements	3,072,971	-	-	-	3,072,971
Buildings and improvements	750,182,312	-	11,821,849	-	762,004,161
Furniture and equipment	48,053,377	1,755,333	563,957	(1,173,424)	49,199,243
Vehicles	29,245,281	888,475	4,174,438	(2,108,688)	32,199,506
Capital leases	6,622,138	-	(4,174,438)	-	2,447,700
Total depreciable assets	837,176,079	2,643,808	12,385,806	(3,282,112)	848,923,581
Less accumulated depreciation for:					
Land improvements	(472,650)	(113,157)	-	-	(585,807)
Buildings and improvements	(285,426,153)	(13,000,220)	-	-	(298,426,373)
Furniture and equipment	(36,784,076)	(3,392,323)	-	972,089	(39,204,310)
Vehicles	(20,146,960)	(2,178,862)	(1,931,701)	2,108,688	(22,148,835)
Capital leases	(2,993,707)	(437,049)	1,931,701	-	(1,499,055)
Total accumulated depreciation	(345,823,546)	(19,121,611)	-	3,080,777	(361,864,380)
Total net capital assets	\$ 555,323,706	\$ (3,101,540)	-	\$ (607,705)	\$ 551,614,461

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 12,024,204
Instructional resources and media services	402,963
Curriculum development and instruction staff	364,974
Instructional leadership	150,582
School leadership	1,584,171
Guidance, counseling and evaluation services	533,133
Social work services	95,373
Health services	287,787
Student (pupil) transportation	543,537
Food services	665,758
Co-curricular/extracurricular activities	361,027
General administration	393,070
Plant maintenance and operations	1,322,186
Security and monitoring services	248,766
Data processing services	133,500
Community services	660
Total depreciation expense without internal service funds	19,111,691
Depreciation on capital assets held by the District's internal service funds	9,920
Total depreciation expense	\$ 19,121,611

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Deferred Outflows of Resources For Refunding

Deferred charge on Refunded Bonds for the year ended June 30, 2016, were as follows:

Description	Beginning Balance	Deferred Charge New Issues	Amortization Recognized	Ending Balance
Series 2011	\$ -	\$ -	\$ -	\$ -
Series 2013	3,506,643	-	217,303	3,289,340
Series 2013A	33,426	-	5,449	27,977
Series 2015	7,275,381	-	424,473	6,850,908
Series 2015A	9,985,674	-	550,486	9,435,188
Total Deferred Charge	\$ 20,801,124	\$ -	\$ 1,197,711	\$ 19,603,413

I. Unearned Revenue

Unearned revenue as of June 30, 2016, consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Foundation	\$ 478,271	\$ -	\$ 478,271
EDA and IFA	-	366,233	366,233
Advanced Placement Incentives	-	36,900	36,900
Army's Youth	-	491,453	491,453
RDSPD Tuition Funds	-	73,315	73,315
Science Foundation	-	10,500	10,500
Other Special Revenue	-	25,687	25,687
Total Unearned Revenue	\$ 478,271	\$ 1,004,088	\$ 1,482,359

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

J. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Debt Service Bonds Payable:					
Unlimited Tax School Building and Refunding Bonds	\$ 18,337,308	\$ -	\$ 104,544	\$ 18,232,764	\$ 43,028
Unlimited Tax Refunding Bonds	298,142,900	-	9,800,000	288,342,900	12,395,000
Unlimited Tax School Building Bonds	40,060,000	-	5,105,000	34,955,000	2,555,000
Unlimited Tax Refunding Bonds Taxable	9,285,000	-	995,000	8,290,000	1,265,000
Total Debt Service Bonds Payable	<u>365,825,208</u>	<u>-</u>	<u>16,004,544</u>	<u>349,820,664</u>	<u>16,258,028</u>
Accretion Payable	<u>7,419,779</u>	<u>87,575</u>	<u>295,456</u>	<u>7,211,898</u>	<u>156,972</u>
Unamortized Premiums on Bonds	<u>48,566,449</u>	<u>-</u>	<u>3,122,023</u>	<u>45,444,426</u>	<u>3,107,195</u>
General Fund Liabilities:					
Capital leases	3,472,510	-	2,043,578	1,428,932	349,525
QSC Maintenance Tax Notes	15,275,000	-	-	15,275,000	-
Limited Tax Refunding Bonds, Series 2014	3,580,000	-	3,580,000	-	-
Accumulated Unpaid Leave Benefits	11,449,696	1,741,736	2,121,978	11,069,454	2,087,553
Totals other liabilities	<u>33,777,206</u>	<u>1,741,736</u>	<u>7,745,556</u>	<u>27,773,386</u>	<u>2,437,078</u>
Total Governmental Long-term liabilities	<u>\$ 455,588,642</u>	<u>\$ 1,829,311</u>	<u>\$ 27,167,579</u>	<u>\$ 430,250,374</u>	<u>\$ 21,959,273</u>

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A summary of changes in the Debt Service bonds payable for the year ended June 30, 2016, is as follows:

Description	Interest Rate Payable	Original Issue Amount	Interest Current Year	Beginning Balance	Issued	Refunded/Retired	Ending Balance	Due within One year
Unlimited Tax School Building Bonds:								
Series 2004B	Variable	44,730,000	26,941	29,730,000	-	-	29,730,000	-
Unlimited Tax School Building Bonds:	3.125%-5.000%	64,465,000	54,000	2,160,000	-	2,160,000	-	-
Series 2005								
Unlimited Tax School Building Bonds:	4.125%	24,345,000	10,106	490,000	-	490,000	-	-
Series 2006								
Unlimited Tax School Building Bonds:	4.00%-5.00%	98,485,000	294,256	7,680,000	-	2,455,000	5,225,000	2,555,000
Series 2007								
Unlimited Tax School Building and Refunding Bonds:								
Series 2008 Premium CABs	5.00%	16,033,014	-	887,308	-	104,544	782,764	43,028
Series 2008 Serial CIBs	5.00%	50,200,000	1,167,956	6,960,000	-	-	6,960,000	-
Series 2008 Term CIBs	5.00%	75,625,000	-	10,490,000	-	-	10,490,000	-
Unlimited Tax Refunding Bonds:	4.00%-5.00%	56,535,000	1,230,269	24,825,000	-	5,790,000	19,035,000	6,090,000
Series 2008A								
Unlimited Tax Refunding Bonds:	4.00%-5.00%	38,675,000	1,706,050	37,170,000	-	3,060,000	34,110,000	3,790,000
Series 2011 Premium CABs		692,900	-	692,900	-	-	692,900	-
Series 2011 CIBs								
Unlimited Tax Refunding Bonds:	2.00%-5.00%	56,075,000	2,357,200	52,160,000	-	-	52,160,000	2,515,000
Series 2013								
Unlimited Tax Refunding Bonds:	3.50%-4.00%	9,570,000	314,582	9,285,000	-	995,000	8,290,000	1,265,000
Taxable Series 2013A								
Unlimited Tax Refunding Bonds:	3.00%-5.00%	78,740,000	3,863,750	78,740,000	-	950,000	77,790,000	-
Series 2015								
Unlimited Tax Refunding Bonds:	2.50%-5.00%	104,555,000	4,535,187	104,555,000	-	-	104,555,000	-
Series 2015A								
Total Debt Service Bonds Payable			\$ 15,560,297	365,825,208	-	16,004,544	349,820,664	16,258,028

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

Accretion payable for the year ended June 30, 2016, was as follows:

Description	Beginning Balance	Accrual of Accretion	Accretion Retired	Ending Balance	Due Within One Year
Series 2008 CABs	\$ 7,166,152	\$ 62,771	\$ 295,456	\$ 6,933,467	\$ 156,972
Series 2011 CABs	253,627	24,804	-	278,431	-
Total Accretion Payable	\$ 7,419,779	\$ 87,575	\$ 295,456	\$ 7,211,898	\$ 156,972

Unamortized Premiums on debt service bonds for the year ended June 30, 2016, were as follows:

Description	Beginning Balance	Premiums on New Issues	Amortization Recognized	Ending Balance	Due Within One Year
Series 2004B	\$ 91,468	\$ -	\$ 6,487	\$ 84,981	\$ 6,486
Series 2005	14,596	-	14,596	-	-
Series 2006	231	-	231	-	-
Series 2007	94,015	-	44,242	49,773	44,242
Series 2008	1,034,346	-	57,067	977,279	57,067
Series 2008A	1,060,026	-	256,767	803,259	256,767
Series 2011	3,745,139	-	264,866	3,480,273	264,866
Series 2013	8,738,085	-	541,496	8,196,589	541,496
Series 2013A	681,570	-	111,161	570,409	111,161
Series 2015	15,499,419	-	854,447	14,644,972	854,447
Series 2015A	17,607,554	-	970,663	16,636,891	970,663
Total Unamortized Premiums	\$ 48,566,449	\$ -	\$ 3,122,023	\$ 45,444,426	\$ 3,107,195

K. Debt Service Bonds Payable

The 2004B Bonds have a variable interest rate. The District has a Standby Bond Purchase Agreement with JP Morgan Chase to provide liquidity support on the \$29,730,000 balance of the 2004B Bonds. The bonds are in a variable rate “flex mode,” whereby the rate is set weekly and then re-marketed quarterly. The District’s rate was .49% as of June 30, 2016, and the average rate for fiscal year 2016 was .14%.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

On January 15, 2015, the District issued Unlimited Tax Refunding Bonds, Series 2015, in the amount of \$78,740,000. The bonds are payable February 15 and August 15 of each year, commencing February 15, 2015, and ending on August 15, 2032. The 2015 bonds were issued to refund \$84,280,000 of the Series 2007 Bonds. The refunding reduced future debt service costs (difference between cash flow to service old debt and that required for new debt) by \$10,378,950, and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$7,448,003. The liability associated with the bond was removed from the related payables. As of June 30, 2016, \$84,280,000 of the refunded bond remains outstanding with an estimated related escrow balance of \$89,749,519.

On March 11, 2015, the District issued Unlimited Tax Refunding Bonds, Series 2015A, in the amount of \$104,555,000. The bonds are payable February 15 and August 15 of each year, commencing August 15, 2015, and ending on August 15, 2033. The 2015A bonds were issued to refund \$108,280,000 of the Series 2008 Bonds. The refunding reduced future debt service costs (difference between cash flow to service old debt and that required for new debt) by \$11,125,475, and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$8,180,049. The liability associated with the bond was removed from the related payables. As of June 30, 2016, \$108,375,000 of the refunded bond remains outstanding with an estimated related escrow balance of \$119,607,813.

The District had two capital appreciation bonds during the year ending June 30, 2016, that were issued at a deep discount. The discount is being accreted over the life of the bonds. For the year ended June 30, 2016, \$87,575 was accreted.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2016.

Debt service requirements for bonds payable are as follows:

Year Ending June 30,	Bonds Payable		
	Principal	Interest	Total
2017	\$ 16,258,028	\$ 16,686,622	\$ 32,944,650
2018	16,918,318	16,278,826	33,197,144
2019	17,784,154	15,192,809	32,976,963
2020	10,728,593	14,754,932	25,483,525
2021	13,136,571	19,056,604	32,193,175
2022 - 2026	102,940,000	54,017,813	156,957,813
2027 - 2031	105,400,000	28,484,375	133,884,375
2032 - 2034	66,655,000	4,730,525	71,385,525
Total	\$ 349,820,664	\$ 169,202,506	\$ 519,023,170

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

L. Capital Leases

The District had two lease agreements from 2013 for the lease purchase of buses. On June 28, 2016, the District paid off one of the bus lease agreements early. The principal balance of \$964,573 plus interest of \$6,363 was paid. This resulted in future interest savings to the District of \$29,936. As of June 30, 2016, the District has two remaining lease agreements related to the purchase of buses. The lease terms are for seven years with interest ranging from 1.39 to 1.64 percent.

Total interest paid during the fiscal year ending June 30, 2016, was \$60,337.

Capital lease future payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 349,525	\$ 20,807	\$ 370,332
2018	354,613	15,718	370,331
2019	359,777	10,555	370,332
2020	365,017	5,316	370,333
Total	<u>\$ 1,428,932</u>	<u>\$ 52,396</u>	<u>\$ 1,481,328</u>

M. Qualified School Construction Maintenance Tax Notes

On October 21, 2009, the District issued Qualified School Construction Maintenance Tax Notes Series 2009 in the amount of \$15,275,000. In lieu of interest payments, the owners of the notes receive Federal Tax Credits under the American Recovery and Reinvestment Act of 2009. The District issued the notes with a supplemental interest rate of 1.55%. The supplemental interest is payable February 15 and August 15 of each year commencing February 15, 2010 and ending on August 15, 2025. The notes are scheduled to mature on August 15, 2025, at which time the entire amount is due. The District has established a Sinking Fund and has entered into a Repurchase Investment Agreement to pay the notes. Sinking Fund payments are payable on February 15 of each year commencing on February 15, 2010, and ending on February 15, 2025. Since the notes will not be paid until they mature on August 15, 2025, the sinking fund deposits are recorded in debt service fund 575 and restricted for that purpose. The balance in the sinking fund as of June 30, 2016, totaled \$5,407,474. Total interest paid during the fiscal year ending June 30, 2016, was \$236,763.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

The Remaining Sinking Fund Deposits required for the QSC Maintenance Tax Notes are as follows:

Fiscal Year	Sinking Fund Deposits	Interest Payments	Annual Total
2017	\$ 684,059	\$ 236,763	\$ 920,822
2018	684,059	236,763	920,822
2019	684,059	236,763	920,822
2020	684,059	236,763	920,822
2021	684,059	236,763	920,822
2022	684,059	236,763	920,822
2023	684,059	236,763	920,822
2024	684,059	236,763	920,822
2025	684,059	236,763	920,822
2026	-	118,381	118,381
Total	6,156,531	\$ 2,249,248	\$ 8,405,779
Balance in sinking fund	5,407,474		
Estimated future interest earnings	3,710,995		
Withdrawal at maturity	\$ 15,275,000		

N. General Fund - Bonds Payable

On February 21, 2014, the District issued Limited Tax Refunding Bonds, Series 2014 in the amount of \$4,390,000. Proceeds from the sale were used to pay off the balance of Maintenance Tax notes, Series 2008. After the August 15, 2015 payment, the bonds had an outstanding principal balance of \$2,735,000. On June 28, 2016, the District paid off the balance plus interest of \$14,701. This resulted in future interest savings to the District of \$47,961.

O. Accumulated Unpaid Sick Leave Benefits

Upon retirement or death of certain employees, the District pays any accrued sick leave in a lump sum cash payment to such employee or his/her estate. A summary of changes in the accumulated sick leave follows:

	<u>Sick Leave</u>
Balance June 30, 2015	\$ 11,449,696
Additions - New entrants and salary increments	1,741,736
Deductions - Payments to participants	(2,121,978)
Balance June 30, 2016	\$ 11,069,454

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

P. Rebatable Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. Arbitrage is evaluated and estimated on an annual basis by a third party arbitrage rebate service company. The company has estimated no liability for the District as of June 30, 2016.

Q. Commitments Under Operating Leases

Commitments under operating (noncapitalized) lease agreements for facilities provide for minimum future rental payments as of June 30, 2016, as follows:

<u>Year Ending June 30,</u>	
2017	\$ 369,862
2018	367,230
2019	340,689
2020	56,539
2021	56,539
2022 - 2026	126,753
2027 - 2031	<u>3,400</u>
Total Minimum Rentals	<u>\$ 1,321,012</u>
Rental expenditures for the year ended June 30, 2016	<u>\$ 374,753</u>

R. Defined Benefit Pension Plan

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

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

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

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

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

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

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>	
	<u>Plan Fiscal Year</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

Contributions Required and Made

2016 District Contributions	\$ 10,962,083
2016 Member Contributions	26,845,179
2015 Plan Year NECE On-Behalf Contributions (State)	19,668,399

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

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

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

Included in the employer contributions amount listed above for fiscal year 2016, the District paid \$144,383 in retiree surcharges and \$4,850,382 for non-OASDI employees. These two additional surcharges an employer is subject to are summarized as follows:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- A contribution to TRS under Senate Bill 1458 is required to be paid by employers who do not pay Social Security for certain members. If the position is subject to the state minimum salary schedule, the 1.5% contribution is due only on the salary amount up to the adjusted state minimum. Otherwise, the 1.5% contribution is due on 100% of the salary when the position is not subject to the state minimum salary schedule.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

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

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

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

	1% Decrease in Discount Rate (7%)	Current Discount Rate 8%	1% Increase in Discount Rate (9%)
District's proportionate share of the net pension liability	\$ 200,547,950	\$ 127,997,495	\$ 67,567,475

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016, the District reported a liability of \$127,997,495 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:

The District's proportionate share of the collective net pension liability	\$ 127,997,495
State's proportionate share that is associated with the District	<u>234,729,990</u>
Total	<u>\$ 362,727,485</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 District's proportion of the collective net pension liability was 0.3620999% which was an increase of 0.1219460% 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

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

Mortality Assumptions

5. 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.
6. 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.
7. 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.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

Other Demographic Assumptions

8. 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.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. 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.
12. 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

13. 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 June 30, 2016, the District recognized pension expense of \$33,445,246 and revenue of \$33,445,246 for support provided by the State.

The amount of pension expense recognized by the District in the reporting period was \$20,873,712.

At June 30, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 825,077	\$ 4,919,058
Changes in actuarial assumptions	3,467,817	4,566,390
Net difference between projected and actual investment earnings	16,818,148	-
Changes in proportion and difference between District's contributions and proportionate share of contributions	27,871,531	40,034
District contributions to TRS subsequent to the measurement date	9,297,603	-
Total	\$ 58,280,176	\$ 9,525,482

The \$9,297,603 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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 June 30	Amount
2017	\$ 6,955,549
2018	6,955,549
2019	6,955,550
2020	11,857,145
2021	3,924,971
Thereafter	2,808,327

Payable to the Pension Plan: At June 30, 2016, the District reported a payable of \$3,319,945 to the pension plan for the outstanding amount of contractually required contributions related to past service costs.

S. Retiree Health Plan

Plan Description. The El Paso Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care 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 Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are equal to the required contributions for each year and are shown in the table below for fiscal years 2016, 2015 and 2014.

Contribution Rates

Period/ Year Ended	Member		State		School District		Federal	
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 2,452,504	1.0%	\$ 3,526,713	0.55%	\$ 2,182,803	1.0%	\$ 390,989
2015	0.65%	\$ 2,412,939	1.0%	\$ 3,319,026	0.55%	\$ 2,167,239	1.0%	\$ 317,415
2014	0.65%	\$ 2,434,917	1.0%	\$ 3,357,169	0.55%	\$ 2,094,586	1.0%	\$ 310,825

The contributions made by the State on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

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. Medicare Part D contributions made on behalf of the District’s employees for the years ended June 30, 2016, 2015, and 2014, were \$1,127,852, \$1,088,982, and \$1,000,880, respectively. These amounts are recorded as equal revenues and expenditures in the governmental fund financial statements of the District.

T. Health Care Coverage

The District participates in TRS Active Care, sponsored by the Teacher Retirement System of Texas, and administered by Aetna. TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Authority for the plan can be found in the Texas Insurance Code, Title I, Subtitle H, Chapter 1579, and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium based plan.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

Payments are made on a monthly basis for all covered employees. Employees have three PPO plan options to choose from, as. All three plans meet the guidelines of the Affordable Health Care Act.

U. Self-Insured Workers' Compensation

The District self-insures its workers' compensation claims which are administered by a third party, 1-2-1 Claims. Estimated incurred but not paid claims are accrued as liabilities of the Workers' Compensation Fund. The District maintains self insured retention per occurrence of \$2,000,000 and employers' liability insurance of \$1,000,000 to limit its claim liability.

The accrued liability for Workers' Compensation self-insurance of \$7,500,000 includes estimated incurred but not paid claims. This liability reported in the fund at June 30, 2016, is in accordance with the requirements of Governmental Accounting Standards Board. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual results may differ from the estimated liability.

Changes in the balances of claim liabilities for June 30 are as follows:

	2016	2015
Unpaid claims, beginning of year	\$ 9,000,000	\$ 9,000,000
Incurred claims	3,172,118	2,886,439
Claim Payments and adjustments	(4,672,118)	(2,886,439)
Unpaid claims, end of fiscal year	\$ 7,500,000	\$ 9,000,000

V. Revenue from Local and Intermediate Sources

During the year ending June 30, 2016, revenues from local and intermediate sources consisted of the following:

	General Fund	2008 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds
Property taxes	\$ 165,384,623	\$ -	\$ 25,530,618	\$ 190,915,241	\$ -
Penalty and interest on taxes	1,400,473	-	243,140	1,643,613	-
Investment income	380,370	248,575	296,976	925,921	-
Food Service activity	-	-	3,264,489	3,264,489	-
Services to other districts	178,000	-	-	178,000	-
Tuition and fees	418,519	-	-	418,519	-
Extracurricular/cocurricular activities	848,591	-	-	848,591	-
Athletics	435,311	-	-	435,311	-
Rent	115,989	-	-	115,989	-
Shared service arrangements	-	-	445,879	445,879	-
Army Youth grant	-	-	152,617	152,617	-
Transportation revenue	61,275	-	-	61,275	-
Refunds/credits	87,034	-	-	87,034	-
Print Shop	-	-	-	-	858,338

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

	General Fund	2008 Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds
Workers Compensation	-	-	-	-	1,723,295
Health Clinic	-	-	-	-	691,709
Surplus sales	118,982	-	-	118,982	-
Power Up sales	83,217	-	-	83,217	-
Vehicle inventory tax	179,108	-	-	-	-
Other local revenue	224,397	-	71,183	295,580	-
Total	\$ 169,915,889	\$ 248,575	\$ 30,004,902	\$ 199,990,258	\$ 3,273,342

W. Fund Balances

As of June 30, 2016, fund balances were composed of the following:

	General Fund	2008 Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventories	\$ 2,193,466	\$ -	\$ -	\$ 2,193,466
Restricted:				
CATE allotment	2,388,283	-	-	2,388,283
SCE allotment	866,529	-	-	866,529
High School Allotment	1,717,658	-	-	1,717,658
MAC	-	-	156,077	156,077
Retirement of Long-term debt	-	-	27,849,863	27,849,863
QSC-MTN Sinking Fund and Bray Trust	-	-	5,547,257	5,547,257
Food Service Program	-	-	3,807,425	3,807,425
Capital projects	-	62,537,442	-	62,537,442
Assigned:				
Construction	1,569,544	-	-	1,569,544
Capital Expenditures - Equipment	3,958,173	-	-	3,958,173
Other Assigned	3,578,657	-	-	3,578,657
Unassigned	105,565,531	-	-	105,565,531
Total fund balances	\$ 121,837,841	\$ 62,537,442	\$ 37,360,622	\$ 221,735,905

As discussed in Note X, as of June 30, 2016, the District has \$7,992,141 of encumbrances of operating funds in major and nonmajor funds that rolled over into the next fiscal year.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

X. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year end, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. Encumbrance accounting is employed as an extension of formal budgetary integration for the District's funds. At June 30, 2016, certain amounts which were previously restricted or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	<u>Encumbrances included in:</u>		
	<u>Restricted fund Balance</u>	<u>Assigned Fund Balance</u>	<u>Total</u>
General Fund	\$ -	\$ 3,326,001	\$ 3,326,001
2008 Capital Projects Fund	4,289,846	-	4,289,846
Nonmajor governmental funds	376,294	-	376,294
Total	<u>\$ 4,666,140</u>	<u>\$ 3,326,001</u>	<u>\$ 7,992,141</u>

Y. Litigation

The District is the defendant in a number of lawsuits arising principally in the normal course of operations. The District maintains insurance with deductibles up to \$50,000 per claim to cover the various lawsuits. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying basic financial statements and accordingly, no provision has been accrued.

Z. Construction and Other Significant Commitments and Contingencies

Construction Commitments

The District has active construction projects as of June 30, 2016, including renovations and site improvements. All accumulated resources for capital projects are restricted or assigned for construction commitments. As of June 30, 2016, the construction work in progress and estimated commitments with contractors on various projects are as follows:

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

	<u>Spent To Date</u>	<u>Remaining Commitment</u>
Classroom Additions - Chapin High School	\$ 4,931,479	\$ 129,565
Multi-Purpose Classrooms	2,380,190	976,102
New Buildings	1,078,400	11,613,034
HVAC Replacements & Improvements	103,484	1,824,351
Parking Lots & Improvements	309,911	87,592
Roofing Upgrades	43,757	436,107
Athletic Improvements	972,812	3,328,529
New Technology Improvements	41,905	464,623
Miscellaneous Projects (Under \$100,000)	94,615	48,691
	<u>\$ 9,956,553</u>	<u>\$ 18,908,594</u>

Software Commitments

The District has two Technology E-Rate projects in process as of June 30, 2016. The work in process and estimated commitments with vendors on these projects are as follows:

	<u>Spent To Date</u>	<u>Remaining Commitment</u>
Telephony Project	\$ 563,957	\$ 747,230
Network Electronics Project	-	259,673
	<u>\$ 563,957</u>	<u>\$ 1,006,903</u>

Federal and State Funding

The District participates in numerous state and federal grant programs that are subject to audit by the Texas Education Agency and various Federal and/or State audit agencies. These programs have complex compliance requirements, and should State or Federal auditors discover areas of material noncompliance, those District funds may be subject to refund, if so determined by administrative audit review.

In the opinion of administration, 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 financial statements for such contingencies.

Vacation and Non-Duty Leave Time

Vacation days are earned by certain employees based upon their contract year and how much of their contract year they have completed. Unused leave time rolls forward, however, any unused days are forfeited six months after the applicable contract year is completed. Upon separation, any remaining balance earned is paid to the employee at their current rate of pay.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

Non-duty days are work days on the District calendar in which the employee may choose not to work. If the employee does not use these days, they are considered days in excess of their contract. Unused days roll forward, however, any unused days are forfeited six months after the applicable contract year is completed for exempt employees; non-exempt employees are paid. In some instances, the employees may be eligible to receive payment for the unused days if separating from the District at the end of their contract.

It is District policy that leave time be used for its intended purpose, as noted above. Management has determined that any resulting obligation at the end of the fiscal year would be insignificant and immaterial to the financial statements. As such, no provision has been recorded in the accompanying fund financial statements.

AA. Shared Service Arrangements

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) which provides a Regional Day School Program for the deaf. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue Fund No. 435, Shared Services Arrangements - Deaf Education and Fund 446, RDSPD Tuition Funds.

Expenditures of the SSA are summarized below:

El Paso I.S.D.	\$	488,479
Socorro I.S.D.		153,566
Ysleta I.S.D.		406,239
San Elizario I.S.D.		11,692
Fabens I.S.D.		19,950
Canutillo I.S.D.		51,773
Clint I.S.D.		65,154
Anthony I.S.D.		<u>3,757</u>
Total	\$	<u><u>1,200,610</u></u>

BB. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, dishonesty, errors and omissions, boiler and machinery, personal property, and general liability. There have been no significant reductions in insurance coverage from prior years and settlements have not exceeded insurance coverage.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

CC. Related Party Transactions

From time to time, the District may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred during the year ending June 30, 2016.

DD. EPISD Education Foundation

The EPISD Education Foundation (the Foundation) is a not-for-profit organization which was organized to provide scholarship funds to students and classroom impact grants for teachers of the El Paso Independent School District. The members of the Board of Directors of the Foundation are either appointed or elected. The Superintendent of El Paso Independent School District (EPISD) has the right to appoint one voting member of the Board of Directors, and the EPISD Board selects two members from the EPISD Board. The remaining members make up a majority and are elected by the current Board of Directors of the Foundation. The Foundation's financial condition and results of operations are not included in the District's financial statements. Beginning in 2014, activity was transferred to the Paso del Norte Foundation as an agency advised fund.

EE. Other Post Employment Benefits

The District pays the premiums for group life insurance for retired employees. The policies provide for a \$1,000 benefit. During the year ending June 30, 2016, the District paid a total of \$2,282 in premiums for retired employees which is approximately four cents per employee per month. Management does not anticipate that the estimated liability related to this obligation would be material to the government-wide financial statements and as such an accrual has not been made.

FF. Top Ten Taxpayers

The following businesses represent the top ten taxpayers for the District:

<u>Name</u>	<u>Taxable Value</u>	<u>% of Taxable Value</u>
Western Refining Co. LP	\$ 565,129,794	3.94%
El Paso Electric	188,815,170	1.32%
Simon Property Group	137,075,833	0.96%
Sierra Providence Physical Rehab Hospital	123,762,270	0.86%
Wal-Mart Stores Inc.	114,726,023	0.80%
Hawkins & I-10 Acquisition Co. LP	84,651,645	0.59%
E I Dupont De Nemours & Co.	52,639,800	0.37%
Union Pacific Railroad Co.	49,192,626	0.34%
Texas Gas Service	49,122,430	0.34%
JRK Colinas Del Sol LLC	45,996,720	0.32%
	<u>\$ 1,411,112,311</u>	<u>9.84%</u>

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (Continued)

GG. New Accounting Pronouncements

The District has not completed the process of evaluating the impact on its financial position that will result from adopting Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective for fiscal years beginning after June 15, 2017. GASB No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers.

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REQUIRED SUPPLEMENTARY INFORMATION

EL PASO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 173,886,157	\$ 168,154,225	\$ 169,915,889	\$ 1,761,664
5800	State Program Revenues	303,631,572	318,329,150	321,835,081	3,505,931
5900	Federal Program Revenues	13,390,000	15,090,000	16,232,373	1,142,373
5020	Total Revenues	490,907,729	501,573,375	507,983,343	6,409,968
EXPENDITURES:					
Current:					
0011	Instruction	287,170,975	293,235,321	288,097,031	5,138,290
0012	Instructional Resources and Media Services	10,328,163	10,350,831	10,262,397	88,434
0013	Curriculum and Instructional Staff Development	16,479,486	15,566,727	15,728,481	(161,754)
0021	Instructional Leadership	2,917,168	3,716,052	3,554,158	161,894
0023	School Leadership	36,685,381	37,101,613	37,428,300	(326,687)
0031	Guidance, Counseling and Evaluation Services	17,179,453	18,050,696	18,035,679	15,017
0032	Social Work Services	3,193,173	3,899,241	3,838,158	61,083
0033	Health Services	6,644,118	6,760,760	6,599,795	160,965
0034	Student (Pupil) Transportation	13,759,591	14,825,288	13,210,258	1,615,030
0036	Extracurricular Activities	11,572,237	11,775,572	11,788,940	(13,368)
0041	General Administration	11,653,240	11,935,429	10,558,626	1,376,803
0051	Facilities Maintenance and Operations	54,887,028	51,256,851	50,990,579	266,272
0052	Security and Monitoring Services	6,094,687	6,460,413	5,930,107	530,306
0053	Data Processing Services	5,943,392	6,768,764	6,205,742	563,022
0061	Community Services	134,338	134,338	33,926	100,412
Debt Service:					
0071	Principal on Long Term Debt	1,924,006	1,924,006	1,924,004	2
0072	Interest on Long Term Debt	344,467	344,467	344,532	(65)
0073	Bond Issuance Cost and Fees	2,000	2,000	1,500	500
Capital Outlay:					
0081	Facilities Acquisition and Construction	760,800	4,880,899	2,329,063	2,551,836
Intergovernmental:					
0099	Other Intergovernmental Charges	2,549,967	2,549,967	2,416,260	133,707
6030	Total Expenditures	490,223,670	501,539,235	489,277,536	12,261,699
1100	Excess of Revenues Over Expenditures	684,059	34,140	18,705,807	18,671,667
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(684,059)	(684,059)	(684,059)	-
8949	Other (Uses)	-	(3,721,293)	(3,720,637)	656
7080	Total Other Financing Sources (Uses)	(684,059)	(4,405,352)	(4,404,696)	656
1200	Net Change in Fund Balances	-	(4,371,212)	14,301,111	18,672,323
0100	Fund Balance - July 1 (Beginning)	107,536,730	107,536,730	107,536,730	-
3000	Fund Balance - June 30 (Ending)	\$ 107,536,730	\$ 103,165,518	\$ 121,837,841	\$ 18,672,323

EL PASO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.3620999%	0.2401539%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 127,997,495	\$ 64,148,427
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	<u>234,729,990</u>	<u>207,838,673</u>
Total	<u>\$ 362,727,485</u>	<u>\$ 271,987,100</u>
District's Covered Payroll	\$ 373,930,999	\$ 374,880,694
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	34.23%	17.11%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, paragraph 81 requires that the information on this schedule be presented for the Plan's measurement year (September 1st - August 31st) as opposed to the District's fiscal year.

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

Note: The information in this schedule reflects early implementation of GASB 82.

SCHEDULE OF DISTRICT CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS

	Fiscal Years Ended June 30				
	2016	2015	2014	2013	2012
Contractually Required Contributions	\$ 10,962,083	\$ 10,210,794	\$ 6,104,979	\$ 5,347,398	\$ 4,915,175
Contributions in Relation to the Contractual Required Contributions	(10,962,083)	(10,210,794)	(6,104,979)	(5,347,398)	(4,915,175)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 377,287,614	\$ 371,221,286	\$ 374,598,981	\$ 367,948,382	\$ 368,763,102
Contributions as a Percentage of Covered Payroll	2.9055%	2.7506%	1.6297%	1.4533%	1.3329%

Note: GASB 68, paragraph 81, requires that the data in this schedule be presented for the District's respective fiscal year as opposed to the measurement year.

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

Note: The information in this schedule reflects early implementation of GASB 82.

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2016

TEACHER RETIREMENT SYSTEM OF TEXAS

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

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

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

Mortality Assumptions

5. 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.
6. 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.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. 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.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2016

Changes of assumptions (Continued)

11. 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.
12. 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

13. 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.

SUPPLEMENTARY INFORMATION

EL PASO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

Data Control Codes	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	220 Adult Education Federal	223 TANF Family Assistance
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-
1240	Receivables from Other Governments	27,855	7,130,152	196,864
1250	Accrued Interest	-	-	-
1260	Due from Other Funds	-	-	-
1290	Other Receivables	-	-	-
1800	Restricted Assets	-	-	-
1900	Long Term Investments	-	-	-
1000	Total Assets	<u>\$ 27,855</u>	<u>\$ 7,130,152</u>	<u>\$ 196,864</u>
LIABILITIES				
2110	Accounts Payable	\$ 162	\$ 81,411	\$ -
2160	Accrued Wages Payable	-	2,085,415	56,055
2170	Due to Other Funds	27,693	4,915,842	133,369
2200	Accrued Expenditures	-	47,484	7,440
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	<u>27,855</u>	<u>7,130,152</u>	<u>196,864</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3480	Retirement of Long-Term Debt	-	-	-
3490	Other Restricted Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 27,855</u>	<u>\$ 7,130,152</u>	<u>\$ 196,864</u>

224	225	240	242	244	255	263	272
IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program	Summer Feeding Program	Career and Technical - Basic Grant	ESEA II,A Training and Recruiting	Title III, A English Lang. Acquisition	Medicaid Admin. Claim MAC
\$ -	\$ -	\$ 6,040	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,361,377	135,401	699,918	313,808	467,573	1,879,070	1,168,292	-
-	-	-	-	-	-	-	-
-	-	1,823,950	1,734,467	-	-	-	156,098
-	-	-	-	-	-	-	-
-	-	59,272	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,361,377</u>	<u>\$ 135,401</u>	<u>\$ 2,589,180</u>	<u>\$ 2,048,275</u>	<u>\$ 467,573</u>	<u>\$ 1,879,070</u>	<u>\$ 1,168,292</u>	<u>\$ 156,098</u>
\$ 5,181	\$ -	\$ 7,613	\$ 363	\$ -	\$ 6,924	\$ 510,570	\$ -
1,530,871	-	602,740	146,073	28,696	382,903	170,652	21
1,825,055	135,401	-	-	389,187	1,241,359	274,739	-
270	-	13,969	-	49,690	247,884	212,331	-
-	-	-	-	-	-	-	-
<u>3,361,377</u>	<u>135,401</u>	<u>624,322</u>	<u>146,436</u>	<u>467,573</u>	<u>1,879,070</u>	<u>1,168,292</u>	<u>21</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,905,586	1,901,839	-	-	-	156,077
-	-	-	-	-	-	-	-
-	-	59,272	-	-	-	-	-
-	-	<u>1,964,858</u>	<u>1,901,839</u>	-	-	-	<u>156,077</u>
<u>\$ 3,361,377</u>	<u>\$ 135,401</u>	<u>\$ 2,589,180</u>	<u>\$ 2,048,275</u>	<u>\$ 467,573</u>	<u>\$ 1,879,070</u>	<u>\$ 1,168,292</u>	<u>\$ 156,098</u>

EL PASO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

Data Control Codes	273 Mathematics & Science Partnerships	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	20,462	25,322	20,624	5,435
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1800	Restricted Assets	-	-	-	-
1900	Long Term Investments	-	-	-	-
1000	Total Assets	<u>\$ 20,462</u>	<u>\$ 25,322</u>	<u>\$ 20,624</u>	<u>\$ 5,435</u>
LIABILITIES					
2110	Accounts Payable	\$ 12,313	\$ 806	\$ -	\$ -
2160	Accrued Wages Payable	-	7,645	7,813	-
2170	Due to Other Funds	7,031	16,009	12,811	5,435
2200	Accrued Expenditures	1,118	862	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>20,462</u>	<u>25,322</u>	<u>20,624</u>	<u>5,435</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 20,462</u>	<u>\$ 25,322</u>	<u>\$ 20,624</u>	<u>\$ 5,435</u>

340 SSA - IDEA C Deaf - Early Intervention	381 Adult Basic Education State	397 Advanced Placement Incentives	409 High School Completion and Success	410 State Textbook Fund	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf	446 RDSPD Tuition Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
322	21,619	-	-	1,253,382	-	242,242	157,865
-	-	-	-	-	-	-	-
-	-	36,900	1,029	-	8,058	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 322</u>	<u>\$ 21,619</u>	<u>\$ 36,900</u>	<u>\$ 1,029</u>	<u>\$ 1,253,382</u>	<u>\$ 8,058</u>	<u>\$ 242,242</u>	<u>\$ 157,865</u>
\$ 82	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,696	-	-	-	-	121,466	60,980
240	19,731	-	-	1,253,382	-	120,776	23,570
-	192	-	-	-	124	-	-
-	-	36,900	1,029	-	7,934	-	73,315
<u>322</u>	<u>21,619</u>	<u>36,900</u>	<u>1,029</u>	<u>1,253,382</u>	<u>8,058</u>	<u>242,242</u>	<u>157,865</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 322</u>	<u>\$ 21,619</u>	<u>\$ 36,900</u>	<u>\$ 1,029</u>	<u>\$ 1,253,382</u>	<u>\$ 8,058</u>	<u>\$ 242,242</u>	<u>\$ 157,865</u>

EL PASO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	575 QSC-MTN Sinking Fund	599 Debt Service Fund
ASSETS				
1110	\$ -	\$ 6,040	\$ -	\$ 24,729,707
1220	-	-	-	1,935,802
1230	-	-	-	(1,047,000)
1240	1,704	17,162,173	-	-
1250	-	-	80,511	17,732
1260	518,727	4,279,229	-	14,793
1290	-	-	-	35,707
1800	-	59,272	-	-
1900	-	-	5,407,474	3,394,905
1000	<u>\$ 520,431</u>	<u>\$ 21,506,714</u>	<u>\$ 5,487,985</u>	<u>\$ 29,081,646</u>
LIABILITIES				
2110	\$ 31	\$ 625,456	\$ -	\$ -
2160	958	5,211,084	-	-
2170	-	10,426,693	-	-
2200	765	582,852	-	-
2300	518,677	637,855	-	366,233
2000	<u>520,431</u>	<u>17,483,940</u>	<u>-</u>	<u>366,233</u>
DEFERRED INFLOWS OF RESOURCES				
2601	-	-	-	865,550
2600	<u>-</u>	<u>-</u>	<u>-</u>	<u>865,550</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	-	3,963,502	-	-
3480	-	-	-	27,849,863
3490	-	59,272	5,487,985	-
3000	<u>-</u>	<u>4,022,774</u>	<u>5,487,985</u>	<u>27,849,863</u>
4000	<u>\$ 520,431</u>	<u>\$ 21,506,714</u>	<u>\$ 5,487,985</u>	<u>\$ 29,081,646</u>

Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
\$ 24,729,707	\$ 24,735,747
1,935,802	1,935,802
(1,047,000)	(1,047,000)
-	17,162,173
98,243	98,243
14,793	4,294,022
35,707	35,707
-	59,272
8,802,379	8,802,379
<u>\$ 34,569,631</u>	<u>\$ 56,076,345</u>
\$ -	\$ 625,456
-	5,211,084
-	10,426,693
-	582,852
366,233	1,004,088
<u>366,233</u>	<u>17,850,173</u>
865,550	865,550
<u>865,550</u>	<u>865,550</u>
-	3,963,502
27,849,863	27,849,863
5,487,985	5,547,257
<u>33,337,848</u>	<u>37,360,622</u>
<u>\$ 34,569,631</u>	<u>\$ 56,076,345</u>

EL PASO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	220 Adult Education Federal	223 TANF Family Assistance
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	<u>94,750</u>	<u>26,987,783</u>	<u>781,628</u>	<u>169,060</u>
5020 Total Revenues	<u>94,750</u>	<u>26,987,783</u>	<u>781,628</u>	<u>169,060</u>
EXPENDITURES:				
Current:				
0011 Instruction	7,273	19,502,783	469,748	85,607
0012 Instructional Resources and Media Services	-	439,193	-	-
0013 Curriculum and Instructional Staff Development	-	2,664,795	101,203	27,405
0021 Instructional Leadership	5,833	1,360,136	118,018	30,437
0023 School Leadership	-	273,866	-	-
0031 Guidance, Counseling and Evaluation Services	-	402,220	47,404	12,566
0032 Social Work Services	81,644	209,534	45,255	13,045
0033 Health Services	-	181,899	-	-
0034 Student (Pupil) Transportation	-	270,729	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	236,995	-	-
0052 Security and Monitoring Services	-	47,926	-	-
0061 Community Services	-	1,397,707	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>94,750</u>	<u>26,987,783</u>	<u>781,628</u>	<u>169,060</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

224	225	240	242	244	255	263	272
IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program	Summer Feeding Program	Career and Technical - Basic Grant	ESEA II,A Training and Recruiting	Title III, A English Lang. Acquisition	Medicaid Admin. Claim MAC
\$ -	\$ -	\$ 3,276,240	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	187,138	-	-	-	-	-
11,595,186	135,008	29,775,374	771,068	918,092	4,661,364	1,869,640	199,148
11,595,186	135,008	33,238,752	771,068	918,092	4,661,364	1,869,640	199,148
5,036,221	133,587	-	-	817,882	2,774,125	1,208,321	-
50,058	-	-	-	-	-	-	-
646,290	1,421	-	-	7,482	1,740,099	627,244	-
210,211	-	-	-	-	71,731	3,448	-
395,712	-	-	-	-	73,662	18,176	-
5,250,846	-	-	-	92,728	1,279	-	-
-	-	-	-	-	240	-	-
-	-	-	-	-	-	-	94,722
-	-	-	-	-	-	-	-
-	-	34,931,812	573,647	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,753,915	-	-	228	-	-
-	-	-	-	-	-	-	-
5,848	-	-	-	-	-	12,451	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,595,186	135,008	36,685,727	573,647	918,092	4,661,364	1,869,640	94,722
-	-	(3,446,975)	197,421	-	-	-	104,426
-	-	-	-	-	-	-	-
-	-	(3,446,975)	197,421	-	-	-	104,426
-	-	5,411,833	1,704,418	-	-	-	51,651
\$ -	\$ -	\$ 1,964,858	\$ 1,901,839	\$ -	\$ -	\$ -	\$ 156,077

EL PASO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	273 Mathematics & Science Partnerships	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	20,111	78,240	13,201
5020	Total Revenues	<u>20,111</u>	<u>78,240</u>	<u>13,201</u>
EXPENDITURES:				
Current:				
0011	Instruction	-	75,480	64,610
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	20,111	1,500	-
0021	Instructional Leadership	-	-	-
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-
0032	Social Work Services	-	-	-
0033	Health Services	-	1,260	-
0034	Student (Pupil) Transportation	-	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0052	Security and Monitoring Services	-	-	-
0061	Community Services	-	-	1,303
Debt Service:				
0071	Principal on Long Term Debt	-	-	-
0072	Interest on Long Term Debt	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
6030	Total Expenditures	<u>20,111</u>	<u>78,240</u>	<u>13,201</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

340 SSA - IDEA C Deaf - Early Intervention	381 Adult Basic Education State	397 Advanced Placement Incentives	409 High School Completion and Success	410 State Textbook Fund	429 Other State Special Revenue Funds	435 SSA Regional Day School - Deaf	446 RDSPD Tuition Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 445,879
-	101,283	16,009	3,495	7,774,413	20,242	754,731	-
<u>1,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,520</u>	<u>101,283</u>	<u>16,009</u>	<u>3,495</u>	<u>7,774,413</u>	<u>20,242</u>	<u>754,731</u>	<u>445,879</u>
1,520	56,757	2,952	3,495	7,774,413	15,031	752,000	303,598
-	-	-	-	-	1,110	-	-
-	13,273	13,057	-	-	-	1,827	-
-	17,182	-	-	-	-	904	-
-	-	-	-	-	-	-	-
-	7,014	-	-	-	-	-	142,281
-	7,057	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	145	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	3,185	-	-
-	-	-	-	-	771	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,520</u>	<u>101,283</u>	<u>16,009</u>	<u>3,495</u>	<u>7,774,413</u>	<u>20,242</u>	<u>754,731</u>	<u>445,879</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EL PASO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	575 QSC-MTN Sinking Fund	599 Debt Service Fund	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 223,800	\$ 3,945,919	\$ 194,571	\$ 25,864,412
5800	State Program Revenues	-	8,857,311	-	7,086,000
5900	Federal Program Revenues	-	78,135,783	-	-
5020	Total Revenues	<u>223,800</u>	<u>90,939,013</u>	<u>194,571</u>	<u>32,950,412</u>
EXPENDITURES:					
Current:					
0011	Instruction	167,190	39,263,091	-	-
0012	Instructional Resources and Media Services	-	490,361	-	-
0013	Curriculum and Instructional Staff Development	-	5,865,707	-	-
0021	Instructional Leadership	-	1,817,900	-	-
0023	School Leadership	-	761,416	-	-
0031	Guidance, Counseling and Evaluation Services	-	5,956,338	-	-
0032	Social Work Services	-	356,775	-	-
0033	Health Services	-	279,281	-	-
0034	Student (Pupil) Transportation	-	270,729	-	-
0035	Food Services	-	35,505,459	-	-
0036	Extracurricular Activities	-	145	-	-
0051	Facilities Maintenance and Operations	-	1,991,138	-	-
0052	Security and Monitoring Services	26,610	77,721	-	-
0061	Community Services	-	1,418,080	-	-
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	16,004,545
0072	Interest on Long Term Debt	-	-	-	15,560,297
0073	Bond Issuance Cost and Fees	-	-	-	179,984
Capital Outlay:					
0081	Facilities Acquisition and Construction	30,000	30,000	-	-
6030	Total Expenditures	<u>223,800</u>	<u>94,084,141</u>	<u>-</u>	<u>31,744,826</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,145,128)	194,571	1,205,586
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	684,059	-
1200	Net Change in Fund Balance	-	(3,145,128)	878,630	1,205,586
0100	Fund Balance - July 1 (Beginning)	-	7,167,902	4,609,355	26,644,277
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ 4,022,774</u>	<u>\$ 5,487,985</u>	<u>\$ 27,849,863</u>

Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
\$ 26,058,983	\$ 30,004,902
7,086,000	15,943,311
-	78,135,783
<u>33,144,983</u>	<u>124,083,996</u>
-	39,263,091
-	490,361
-	5,865,707
-	1,817,900
-	761,416
-	5,956,338
-	356,775
-	279,281
-	270,729
-	35,505,459
-	145
-	1,991,138
-	77,721
-	1,418,080
16,004,545	16,004,545
15,560,297	15,560,297
179,984	179,984
-	30,000
<u>31,744,826</u>	<u>125,828,967</u>
1,400,157	(1,744,971)
<u>684,059</u>	<u>684,059</u>
2,084,216	(1,060,912)
<u>31,253,632</u>	<u>38,421,534</u>
<u>\$ 33,337,848</u>	<u>\$ 37,360,622</u>

EL PASO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2016

	752	753	772	Total
	Print Shop	Workers' Compensation Insurance	Health Care Clinic Program	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 7,540,642	\$ 454,829	\$ 7,995,471
Accrued Interest	-	37,101	-	37,101
Due from Other Funds	224,246	-	-	224,246
Total Current Assets	<u>224,246</u>	<u>7,577,743</u>	<u>454,829</u>	<u>8,256,818</u>
Noncurrent Assets:				
Capital Assets:				
Furniture and Equipment	239,583	-	-	239,583
Depreciation on Furniture and Equipment	(207,416)	-	-	(207,416)
Long Term Investments	-	4,327,776	-	4,327,776
Total Noncurrent Assets	<u>32,167</u>	<u>4,327,776</u>	<u>-</u>	<u>4,359,943</u>
Total Assets	<u>256,413</u>	<u>11,905,519</u>	<u>454,829</u>	<u>12,616,761</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	-	164,688	402	165,090
Accrued Wages Payable	-	135	1,176	1,311
Due to Other Funds	-	205,530	23,271	228,801
Accrued Expenses	7,679	7,500,000	1,118	7,508,797
Total Liabilities	<u>7,679</u>	<u>7,870,353</u>	<u>25,967</u>	<u>7,903,999</u>
NET POSITION				
Net Investment in Capital Assets	32,167	-	-	32,167
Unrestricted Net Position	216,567	4,035,166	428,862	4,680,595
Total Net Position	<u>\$ 248,734</u>	<u>\$ 4,035,166</u>	<u>\$ 428,862</u>	<u>\$ 4,712,762</u>

EL PASO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	752 Print Shop	753 Workers' Compensation Insurance	772 Health Care Clinic Program	Total Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	\$ 858,338	\$ 1,723,295	\$ 691,709	\$ 3,273,342
Total Operating Revenues	<u>858,338</u>	<u>1,723,295</u>	<u>691,709</u>	<u>3,273,342</u>
OPERATING EXPENSES:				
Payroll Costs	516,952	2,034,058	184,897	2,735,907
Professional and Contracted Services	167,362	139,221	419,328	725,911
Supplies and Materials	127,597	4,858	31,832	164,287
Other Operating Costs	730	39,191	8,307	48,228
Depreciation Expense	9,920	-	-	9,920
Total Operating Expenses	<u>822,561</u>	<u>2,217,328</u>	<u>644,364</u>	<u>3,684,253</u>
Operating Income (Loss)	<u>35,777</u>	<u>(494,033)</u>	<u>47,345</u>	<u>(410,911)</u>
NONOPERATING REVENUES (EXPENSES):				
Earnings from Temporary Deposits & Investments	-	83,697	1,454	85,151
(Loss) on Sale of Real and Personal Property	<u>(17,069)</u>	<u>-</u>	<u>-</u>	<u>(17,069)</u>
Total Nonoperating Revenues (Expenses)	<u>(17,069)</u>	<u>83,697</u>	<u>1,454</u>	<u>68,082</u>
Change in Net Position	18,708	(410,336)	48,799	(342,829)
Total Net Position - July 1 (Beginning)	<u>230,026</u>	<u>4,445,502</u>	<u>380,063</u>	<u>5,055,591</u>
Total Net Position June 30 (Ending)	<u>\$ 248,734</u>	<u>\$ 4,035,166</u>	<u>\$ 428,862</u>	<u>\$ 4,712,762</u>

EL PASO INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	752	753	772	Total
	Print Shop	Workers' Compensation Insurance	Health Care Clinic Program	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 39,864	\$ -	\$ -	\$ 39,864
Cash Received from Assessments - Other Funds	762,055	1,723,295	691,709	3,177,059
Cash Payments to Employees for Services	(516,952)	(367,157)	(185,166)	(1,069,275)
Cash Payments for Insurance Claims	-	(3,166,766)	-	(3,166,766)
Cash Payments for Suppliers	(294,986)	(548,311)	(492,061)	(1,335,358)
Cash Payments for Other Operating Expenses	(730)	(39,191)	(8,307)	(48,228)
Net Cash Provided by (Used for) Operating Activities	<u>(10,749)</u>	<u>(2,398,130)</u>	<u>6,175</u>	<u>(2,402,704)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Proceeds from Disposal of Assets	10,749	-	-	10,749
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investment Securities	-	(2,938,549)	-	(2,938,549)
Proceeds from Sale & Maturities of Securities	-	981,791	-	981,791
Interest and Dividends on Investments	-	83,697	1,454	85,151
Net Cash Provided by (Used for) Investing Activities	<u>-</u>	<u>(1,873,061)</u>	<u>1,454</u>	<u>(1,871,607)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	(4,271,191)	7,629	(4,263,562)
Cash and Cash Equivalents at Beginning of Year	-	11,811,833	447,200	12,259,033
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ 7,540,642</u>	<u>\$ 454,829</u>	<u>\$ 7,995,471</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss):	\$ 35,777	\$ (494,033)	\$ 47,345	\$ (410,911)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	9,920	-	-	9,920
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Due from Other Funds	(56,419)	-	-	(56,419)
Increase (decrease) in Accounts Payable	-	(15,159)	(12,042)	(27,201)
Increase (decrease) in Accrued Wages Payable	-	135	(269)	(134)
Increase (decrease) in Due to Other Funds	-	(389,073)	(29,282)	(418,355)
Increase (decrease) in Accrued Expenses	(27)	(1,500,000)	423	(1,499,604)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (10,749)</u>	<u>\$ (2,398,130)</u>	<u>\$ 6,175</u>	<u>\$ (2,402,704)</u>

EL PASO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2016

	BALANCE JULY 1 2015	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30 2016
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 2,295,929	\$ 236,233	\$ 232,231	\$ 2,299,931
Liabilities:				
Due to Student Groups	\$ 2,295,929	\$ 236,233	\$ 232,231	\$ 2,299,931
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 2,295,929	\$ 236,233	\$ 232,231	\$ 2,299,931
Liabilities:				
Due to Student Groups	\$ 2,295,929	\$ 236,233	\$ 232,231	\$ 2,299,931

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**OTHER INFORMATION - REQUIRED TEA SCHEDULES
(UNAUDITED)**

EL PASO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2016

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.163500	13,367,590,860
2009	1.040000	0.195000	14,224,345,530
2010	1.040000	0.195000	14,270,165,506
2011	1.040000	0.195000	14,540,539,826
2012	1.040000	0.195000	15,002,911,955
2013	1.040000	0.195000	15,392,960,892
2014	1.040000	0.195000	15,708,746,343
2015	1.040000	0.195000	15,783,486,372
2016 (School year under audit)	1.070000	0.165000	15,670,771,018
1000 TOTALS			

(10) Beginning Balance 7/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2016
\$ 2,817,358	\$ -	\$ 43,839	\$ 6,412	\$ (694,132)	\$ 2,072,975
450,918	-	18,227	2,865	(635)	429,191
609,427	-	31,527	5,911	(1,355)	570,634
710,275	-	43,894	8,230	(1,701)	656,450
902,941	-	70,449	13,209	7,556	826,839
1,023,653	-	106,472	19,963	(35,112)	862,106
1,261,279	-	118,742	22,264	(139,934)	980,339
1,768,207	-	178,443	33,458	(354,661)	1,201,645
4,317,727	-	1,823,081	341,828	(460,082)	1,692,736
-	193,534,022	163,878,715	25,271,022	-	4,384,285
<u>\$ 13,861,785</u>	<u>\$ 193,534,022</u>	<u>\$ 166,313,389</u>	<u>\$ 25,725,162</u>	<u>\$ (1,680,056)</u>	<u>\$ 13,677,200</u>

EL PASO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,805,000	\$ 4,805,000	\$ 3,276,240	\$ (1,528,760)
5800 State Program Revenues	250,000	250,000	187,138	(62,862)
5900 Federal Program Revenues	35,185,000	35,185,000	29,775,374	(5,409,626)
5020 Total Revenues	40,240,000	40,240,000	33,238,752	(7,001,248)
EXPENDITURES:				
0035 Food Services	38,070,207	38,813,687	34,931,812	3,881,875
0041 General Administration	5,000	5,000	-	5,000
0051 Facilities Maintenance and Operations	2,164,793	2,154,147	1,753,915	400,232
6030 Total Expenditures	40,240,000	40,972,834	36,685,727	4,287,107
1200 Net Change in Fund Balances	-	(732,834)	(3,446,975)	(2,714,141)
0100 Fund Balance - July 1 (Beginning)	5,411,833	5,411,833	5,411,833	-
3000 Fund Balance - June 30 (Ending)	\$ 5,411,833	\$ 4,678,999	\$ 1,964,858	\$ (2,714,141)

EL PASO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 26,335,342	\$ 25,451,968	\$ 26,058,983	\$ 607,015
5800	State Program Revenues	5,928,880	6,812,254	7,086,000	273,746
5020	Total Revenues	32,264,222	32,264,222	33,144,983	880,761
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	16,004,544	16,004,544	16,004,545	(1)
0072	Interest on Long Term Debt	17,168,506	17,168,506	15,560,297	1,608,209
0073	Bond Issuance Cost and Fees	300,000	300,000	179,984	120,016
6030	Total Expenditures	33,473,050	33,473,050	31,744,826	1,728,224
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,208,828)	(1,208,828)	1,400,157	2,608,985
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	684,059	684,059	684,059	-
1200	Net Change in Fund Balances	(524,769)	(524,769)	2,084,216	2,608,985
0100	Fund Balance - July 1 (Beginning)	31,253,632	31,253,632	31,253,632	-
3000	Fund Balance - June 30 (Ending)	\$ 30,728,863	\$ 30,728,863	\$ 33,337,848	\$ 2,608,985

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FEDERAL AWARDS SECTION

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

To the Board of Trustees
El Paso Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Paso Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise El Paso Independent School District's basic financial statements and have issued our report thereon dated November 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Paso 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 El Paso Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of El Paso 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Paso 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.

Gibson, Ruddock, Patterson LLC
El Paso, Texas
November 9, 2016

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

To the Board of Trustees
El Paso Independent School District

Report on Compliance for Each Major Federal Program

We have audited El Paso 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 El Paso Independent School District's major federal programs for the year ended June 30, 2016. El Paso 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 the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibilities

Our responsibility is to express an opinion on compliance for each of El Paso 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 El Paso 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 El Paso Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, El Paso 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 June 30, 2016.

Report on Internal Control Over Compliance

Management of El Paso 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 El Paso 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 El Paso Independent School District's internal control over compliance.

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

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

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

Gibson, Ruddock, Patterson LLC
El Paso, Texas
November 9, 2016

EL PASO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule Reference Number	PROGRAM	DESCRIPTION
<u>SUMMARY OF AUDITOR'S RESULTS</u>		
<u>Financial Statements</u>		
	Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
	Internal control over financial reporting:	
	Were significant deficiencies in internal control disclosed?	None reported
	Were material weaknesses in internal control disclosed?	No
	Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards?	No
<u>Federal Awards</u>		
	Internal control over major federal award programs:	
	Were significant deficiencies in internal control over major programs disclosed?	None reported
	Were material weaknesses in internal control over major programs disclosed?	No
	Type of auditor's report issued on compliance for the major federal award programs:	Unmodified
	Were there any audit findings that the auditor is required to report under Title 2 CFR 200.516 Audit findings paragraph (a)?	No
	Major Federal Programs:	<u>ESEA, Title I, Part A - Improving Basic Programs:</u> CFDA 84.010A

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule Reference Number	PROGRAM	DESCRIPTION
		<u>Child Nutrition Cluster:</u> CFDA 10.553 School Breakfast Program CFDA 10.555 National School Lunch Program CFDA 10.559 Summer Food Service Program
		<u>Career and Technical - Basic Grant:</u> CFDA 84.048A
	Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
	Did auditee qualify as a low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee?	Yes

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENT FINDINGS

There are no current year findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings.

EL PASO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL AWARD FINDINGS & QUESTIONED COSTS

2015-001 Title I, A Improving Basic Program (CFDA 84.010A)

Condition Found: Personnel wages were coded to the Title I grant which were unallowed per OMB Compliance Supplement or grant requirements. However, the District reclassified all the unallowable expenditures in our sample and reviewed an additional sample for similar instances, which were also reclassified, as necessary.

Status: This condition no longer exists. In performing the current audit, we noted no instances of personnel wages coded to the Title I grant which were unallowable per the OMB Compliance Supplement or the grant.

EL PASO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<u>Passed Through Texas Department of Transportation</u>			
Selective Traffic Enforcement Program (STEP)	20.600	2015-EP-S-1YG-0067	\$ 7,515
Selective Traffic Enforcement Program (STEP)	20.600	2016-EP-S-1YG-0024	21,324
Total CFDA Number 20.600			<u>28,839</u>
Total Passed Through Texas Department of Transportation			\$ 28,839
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>\$ 28,839</u>
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
JROTC	12.357	161205.13	\$ 558,008
Impact Aid Severe Disability	12.558	53-TX-2016-0045	26,997
Promoting Student Achievement-Expansion & Support	12.556	HE125420119990028	44,313
Military Connected Schools	12.556	HE12541310040	1,081,828
Military Connected Schools	12.556	HE12541310034	48,463
Total CFDA Number 12.556			<u>1,174,604</u>
SPED Reading Strong	12.557	HE12541410028	151,837
Total Direct Programs			\$ 1,911,446
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>\$ 1,911,446</u>
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid	84.041	SO41B20114905	\$ 4,561,703
Total Direct Programs			<u>\$ 4,561,703</u>
<u>Passed Through Region 10</u>			
Texas Support for Homeless Education Program	84.196A	15-060	\$ 25,852
Texas Support for Homeless Education Program	84.196A	16-060	70,734
Total CFDA Number 84.196A			<u>96,586</u>
Total Passed Through Region 10			\$ 96,586
<u>Passed Through Ysleta Independent School District</u>			
SSA - Adult Education (ABE)-Federal	84.002A	1014AEL000	\$ 23,302
SSA - English Literacy and Civics Education Grant	84.002A	1014AEL000	112,413
SSA - Adult Education (ABE)-Federal	84.002A	1014AEL000	617,694
SSA - Adult Education (ABE)-Federal Incentive Grant	84.002A	1014AEL000	28,219
Total CFDA Number 84.002A			<u>781,628</u>
Total Passed Through Ysleta Independent School District			\$ 781,628
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101071902	\$ 3,046,424
ESEA, Title I, Part D, Subpart 2 - Delinquent Prog	84.010A	15610103071902	15,719
ESEA, Title I, Priority and Focus School	84.010A	15610112071902027	149
ESEA, Title I, Priority and Focus School	84.010A	15610112071902046	345
ESEA, Title I, Priority and Focus School	84.010A	15610112071902054	3
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101071902	23,993,966
ESEA, Title I, Part D, Subpart 2 - Delinquent Prog	84.010A	16610103071902	143,627
ESEA, Title I, Priority and Focus School	84.010A	16610112071902000	340,921
Total CFDA Number 84.010A			<u>27,541,154</u>
*IDEA - Part B, Formula	84.027A	156600010719026600	1,304,228

EL PASO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
*IDEA - Part B, Formula	84.027A	166600010719026600	10,506,714
*SSA - IDEA - Part B, Discretionary Deaf	84.027A	156600110719026673	8,022
*SSA - IDEA - Part B, Discretionary Deaf	84.027A	166600110719026673	70,218
*SSA - IDEA - Part B, Formula Deaf	84.027A	156600010719026601	4,461
*SSA - IDEA - Part B, Formula Deaf	84.027A	166600010719026601	61,365
Total CFDA Number 84.027A			11,955,008
*IDEA - Part B, Preschool	84.173A	156610010719026610	163
*IDEA - Part B, Preschool	84.173A	166610010719026610	137,348
*SSA - IDEA - Part B, Preschool Deaf	84.173A	156610010719026611	268
*SSA - IDEA - Part B, Preschool Deaf	84.173A	166610010719026611	13,177
Total CFDA Number 84.173A			150,956
Total Special Education Cluster (IDEA)			12,105,964
Carl D. Perkins-Career and Technical - Basic Grant	84.048A	15420006071902	4,834
Carl D. Perkins-Career and Technical - Basic Grant	84.048A	16420006071902	924,732
Total CFDA Number 84.048A			929,566
SSA - IDEA, Part C - Early Intervention	84.181A	153911010719023911	97
SSA - IDEA, Part C - Early Intervention	84.181A	163911010719023911	1,423
Total CFDA Number 84.181A			1,520
Prof. Development Partnerships for Math & Science	84.366B	156944187110006	20,462
Title III, Part A - English Language Acquisition	84.365A	16671001071902	1,901,236
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501071902	45,652
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501071902	4,697,910
Total CFDA Number 84.367A			4,743,562
Title VI Summer School LEP	84.369A	69551502	66,622
Texas Literacy Initiative	84.371C	146460037110012	3,674,175
Texas Literacy Initiative	84.371C	156460037110012	8,282,964
Texas Literacy Initiative	84.371C	166460037110012	6,461,206
Total CFDA Number 84.371C			18,418,345
Total Passed Through State Department of Education			\$ 65,728,431
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 71,168,348
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Medicaid Administrative Claiming Program - MAC	93.778	NPI 1003032848	\$ 199,148
Total Direct Programs			\$ 199,148
<u>Passed Through Ysleta Independent School District</u>			
SSA-Temporary Assistance for Needy Families (TANF)	93.558	1014AEL1000	\$ 11,855
SSA-Temporary Assistance for Needy Families (TANF)	93.558	1014AEL1000	157,205
Total CFDA Number 93.558			169,060
Total Passed Through Ysleta Independent School District			\$ 169,060
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 368,208
U.S. DEPARTMENT OF JUSTICE			
<u>Direct Programs</u>			
Fed COPS Anti-Gang Initiative (CAGI)	16.710	2015GVWX009	\$ 18,486
Total Direct Programs			\$ 18,486

EL PASO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ 18,486
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
**National School Breakfast Program	10.553	71401601	\$ 8,626,950
**National School Lunch Program - Cash Assistance	10.555	71301601	18,776,120
**National School Lunch Prog.-Non-Cash Assistance	10.555	071-902	2,372,304
Total CFDA Number 10.555			<u>21,148,424</u>
**Summer Feeding Program - Cash Assistance	10.559	201616N109946	771,068
Total Child Nutrition Cluster			<u>30,546,442</u>
Total Passed Through the State Department of Agriculture			\$ 30,546,442
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 30,546,442</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 104,041,769</u>

*, ** = Clustered Programs

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

1. GENERAL

For all federal programs, the District uses the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*.

Special Revenue Funds are used to account for resources restricted to, or committed for specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

2. BASIS OF ACCOUNTING

Accounting and Financial Reporting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All Federal grant funds are accounted for either in the General Fund or a Special Revenue Fund which are governmental fund types. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

2. BASIS OF ACCOUNTING (Continued)

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When grant funds are received before expenditures are made, they are recorded as unearned revenues until earned. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Due to the nature of the reporting process for the SHARS program, the District recognizes SHARS revenue upon receipt of the reimbursement notice from the federal government.

Period of Performance

The period of performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, OMB Compliance Supplement - June 2016.

Matching

Matching contributions were not required for any of the federal awards.

3. INDIRECT COST RATE

The District did not elect to use the 10% de minimus indirect cost rate, but used the indirect cost rate assigned by the Texas Education Agency.

The District accounted for federally funded indirect costs in the General Fund as follows:

Program Title	Federal CFDA Number	Amount
ESEA I, A Improving Basic Program	84.010A	\$ 553,372
IDEA - Part B Formula	84.027A	215,755
IDEA - Part B, Preschool	84.181A	2,503
Career & Technical - Basic Grant	84.048A	11,474
ESEA, Title II, Part A, Training and Recruiting	84.367A	82,198
Title III, A - English Lang. Acquisition	84.365A	31,597
Mathematics & Science Partnerships	84.366B	351
Texas Literacy Initiative	84.371C	301,195
SSA - IDEA - Part B, Formula Deaf	84.027A	1,216
SSA - IDEA - Part B, Preschool Deaf	84.181A	244
ESEA Title I, Pt. C Homeless	84.196A	1,836
Total Indirect Costs		<u>\$ 1,201,741</u>

(Continued)

EL PASO INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2016

4. RECONCILIATION

Of the federal expenditures presented in the Exhibit K-1, the District accounted for certain funds in the General Fund as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
JROTC	12.357	\$ 558,008
Impact Aid	84.041	4,561,703
Impact Aid Severe Disability	12.558	26,997
Indirect Costs - Other	84.XXX	<u>1,201,741</u>
		6,348,449
SHARS (not included on Exhibit K-1)		<u>9,883,924</u>
Total General Fund		<u>\$ 16,232,373</u>

The total federal revenue presented in Exhibit K-1 can be reconciled to Exhibit C-3 as follows:

Expenditures of federal awards per Exhibit K-1	\$ 104,041,769
School Health and Related Services (SHARS) reimbursements	<u>9,883,924</u>
Total federal revenue per Exhibit C-3	<u>\$ 113,925,693</u>

5. PROGRAM INCOME

The Child Nutrition Cluster generated program income in the amount of \$3,276,240 for the year ended June 30, 2016.

SCHOOLS FIRST QUESTIONNAIRE

El Paso Independent School District

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	7211898
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	127997495
SF13	Pension Expense (6147) at fiscal year-end.	9911629