

WEBB CONSOLIDATED
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016



WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Webb Consolidated Independent School District
Annual Financial Report
For The Year Ended August 31, 2016

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Introductory Section

CERTIFICATE OF BOARD

Webb Consolidated Independent School District
Name of School District

Webb
County

240904
Co.-Dist. Number

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

Signature of Board Secretary

Signature of Board President

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

Financial Section

JOHN WOMACK & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. WOMACK, CPA
MARGARET KELLY, CPA

P. O. BOX 1147
KINGSVILLE, TEXAS 78364
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Independent Auditor's Report

To the Board of Trustees
Webb Consolidated Independent School District
Box 206
Bruni, Texas 78344

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Webb Consolidated Independent School District ("the District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Webb Consolidated Independent School District's basic financial statements. The introductory section and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

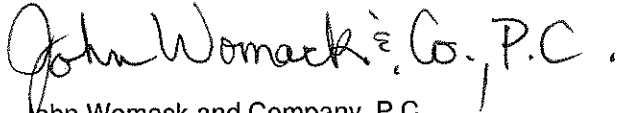
The individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the 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 individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016 on our consideration of Webb Consolidated Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Webb Consolidated Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "John Womack & Co., P.C.".

John Womack and Company, P.C.
Kingsville, TX
December 16, 2016

Management's Discussion and Analysis

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

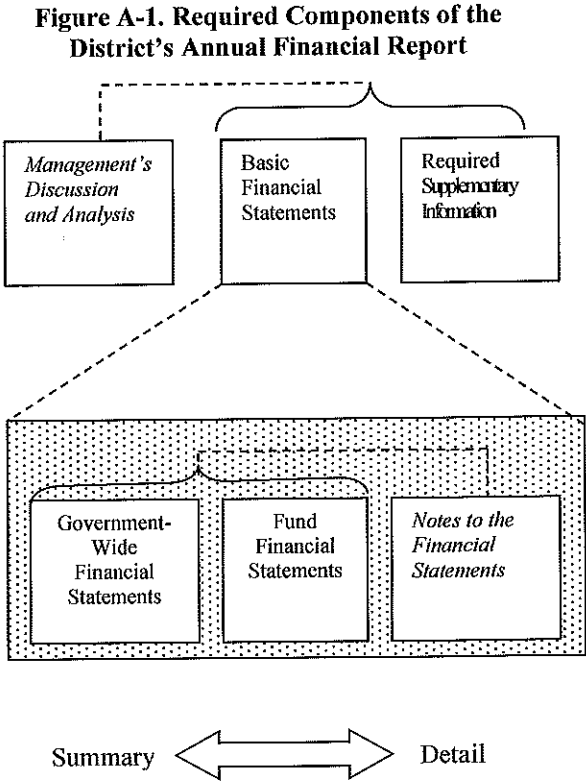
FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$25,850,805 at August 31, 2016.
- During the year, the District's expenses were \$909,877 less than the \$11,851,645 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$1,108,877 less than last year due primarily to the decrease in contracted instructional services between public schools while the debt service increased.
- The general fund reported a fund balance this year of \$6,940,092, an increase of \$235,474 over last year's fund balance of \$6,704,618.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*, such as self-insurance.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.



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

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

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

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement activities regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two types of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statement, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities—such as the District's Self Insurance Fund.

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net position. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District’s *combined* net position was \$25,850,805 at August 31, 2016. 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 \$10,857,532. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

A small portion of the District’s net position, \$(1,625,053), represents resources that are subject to external restrictions on how they may be used. The \$16,618,326 of unrestricted net position represents resources available to fund the programs of the District next year. (See Table A-1).

Table A-1
The District's Net Position

	Governmental Activities		Total Change
	2016	2015	2016-2015
Current and other assets	\$ 16,944,112	\$ 6,238,583	\$ 10,705,529
Capital and non-current assets	25,440,061	21,412,942	4,027,119
Total Assets	<u>42,384,173</u>	<u>27,651,525</u>	<u>14,732,648</u>
Deferred Outflow Related to Pensions	542,060	197,114	344,946
Total Deferred Outflows of Resources	<u>542,060</u>	<u>197,114</u>	<u>344,946</u>
Current liabilities	1,320,368	1,580,052	(259,684)
Long-term liabilities	15,644,098	1,053,927	14,590,171
Total Liabilities	<u>16,964,466</u>	<u>2,633,979</u>	<u>14,330,487</u>
Deferred Inflow Related to Pensions	110,962	273,732	(162,770)
Total Deferred Inflows of Resources	<u>110,962</u>	<u>273,732</u>	<u>(162,770)</u>
Net Position			
Invested in Capital Assets	10,857,532	20,582,057	(9,724,525)
Restricted	(1,625,053)	723,511	(2,348,564)
Unrestricted	16,618,326	3,635,360	12,982,966
Total Net Position	<u>\$ 25,850,805</u>	<u>\$ 24,940,928</u>	<u>\$ 909,877</u>

Major changes in Governmental Activities are as follows:

Current and other assets increased by \$10,705,529 due primarily to an increase in cash balances and current investments of \$8,949,516, primarily as a result of the sale of general obligation bonds and an increase of \$1,188,140 in the receivable from Other Governments.

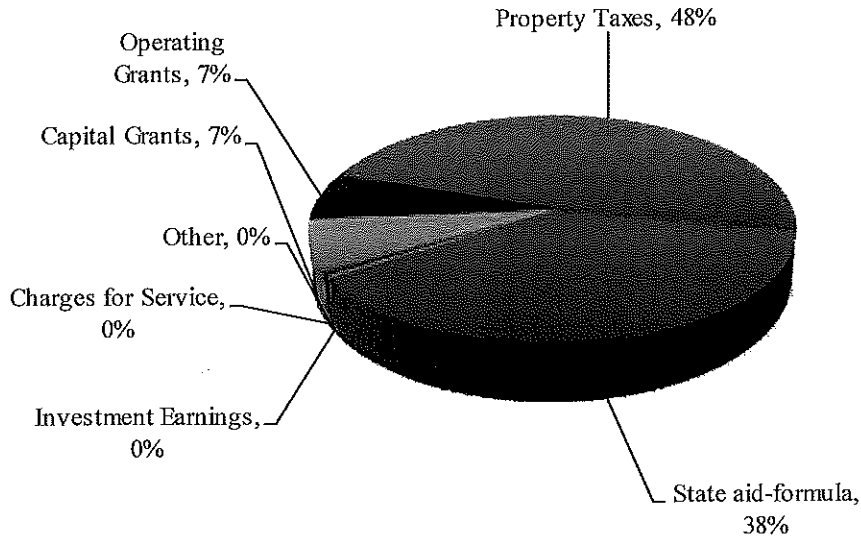
Comparatively, current liabilities decreased \$259,684, due to a decrease in unearned revenue of \$123,950, and a decrease of \$242,740 in the normal scheduled payment of bonds due within one year, with an increase in accounts payable of \$56,256 and an increase in interest payable of \$60,309.

Long-term liabilities increased by \$14,590,171 due to an increase in the net pension liability of \$595,787 and the sale of new general obligation bonds, resulting in an increase in bond scheduled payments due in more than one year of \$13,994,384.

Changes in net position

The District's total revenues were \$11,851,645. A significant portion, 48%, of the District's revenue comes from taxes (See Figure A-3). 38% comes from state-aid formula grants.

Figure A-3
Sources of Revenue for Fiscal Year



The total cost of all programs and services was \$10,941,768. Of these costs, 75% are for instructional and student services, but, when the chapter 41 component of contracted instructional services between schools, \$(2,233,634) is excluded, 54% is for instructional and student services.

Governmental Activities

There were no changes in property tax rates for maintenance while debt service tax rates increased by \$.0100/\$100. The 28% decrease in property values, resulted in a decrease in tax revenues of \$2,403,273, or 30%.

Unrestricted grants increased \$1,432,688, or 47%. This increase in state grant revenue was due to the decrease in local tax revenue in prior years, and an increase in student average daily attendance. Also note that contracted instructional services decreased by \$1,457,969, which was the result of three major components: WADA, Tax Collection, and T2 Values.

**Table A-2
District Revenues and Expenditures**

	Governmental Activities		Total Change
	2016	2015	2016-2015
Revenues:			
Program Revenues:			
Charges for service	\$ 49,622	\$ 51,620	\$ (1,998)
Operating grants and contributions	793,668	684,450	109,218
Capital grants and contributions	795,111	304,889	490,222
General Revenues:			
Property taxes	5,632,898	8,036,171	(2,403,273)
Grants and contributions not restricted to specific functions	4,480,140	3,047,452	1,432,688
Investment earnings	39,156	15,382	23,774
Miscellaneous	61,050	60,681	369
Total Revenue	11,851,645	12,200,645	(349,000)
Expenses:			
Instruction, curriculum and media services	4,045,158	4,046,943	(1,785)
Instructional and school leadership	532,784	722,735	(189,951)
Student support services	453,093	333,765	119,328
Child nutrition	487,896	461,509	26,387
Cocurricular activities	420,786	424,702	(3,916)
General administration	761,353	701,132	60,221
Plant maintenance, security & data processing	1,503,045	1,545,771	(42,726)
Community services	624	222	402
Debt service	423,302	19,527	403,775
Capital Outlay	0	8,968	(8,968)
Contracted instructional service	2,233,634	3,691,603	(1,457,969)
Payments to Juvenile Justice Alternative Ed. Programs	7,110	-	7,110
Other Intergovernmental Charges	72,983	93,768	(20,785)
Total Expenses	10,941,768	12,050,645	(1,108,877)
Increase (Decrease) in net position	909,877	150,000	759,877
Net Position, Beginning	24,940,928	25,804,773	(863,845)
Prior period adjustment	-	(1,013,845)	1,013,845
Net Position - Beginning as Restated	24,940,928	24,790,928	150,000
Net Position, Ending	\$ 25,850,805	\$ 24,940,928	\$ 909,877

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

- The cost of all *governmental* activities this year was \$10,941,768.
- The amount that our taxpayers paid for these activities through property taxes was \$5,632,898, or 51%.
- Some of the cost was paid by those who directly benefited from the programs, \$49,622, and by grants and contributions of \$1,588,779.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2016	2015		2016	2015	
Instruction	\$ 3,971,495	\$ 3,941,618	0.76%	\$ 3,542,620	\$ 3,533,676	0.25%
General administration	761,353	701,132	8.59%	722,890	679,287	6.42%
Plant maintenance security & operations	1,503,045	1,423,199	5.61%	1,455,543	1,400,083	3.96%
Contracted instructional services	2,233,634	3,691,603	-39.49%	2,223,578	3,677,665	-39.54%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$11,593,813, a decrease of 5% compared to the preceding year. This is primarily due to a decrease of \$2,039,040 from local sources, as the result of a \$2.6 million reduction in property tax revenue, as well as an increase of \$1,385,542 in state program revenues. Expenditures from governmental fund types totaled \$15,439,204, an increase of 12% from the prior year. The largest increase that occurred was \$3,007,079, in capital outlay expenditures, with a decrease in contracted instructional services between public schools of \$1,457,969.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$257,141 below final budget amounts. The positive variances are reflected fairly evenly in all functions. Staffing is budgeted for full employment throughout the full year.

Also, resources available were \$20,212 above the financial budgeted amount. As noted earlier:

- Property tax collections and other local sources were \$11,018 more than expected.
- The District maintained its own campus and has no plans for further expansion in the near future; however, the agriculture and wind energy center were built.
- State program revenue was \$13,644 below the final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested \$38,760,364 in a broad range of capital assets, including land, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$4,991,391 or 15% over last year.

Table A-4
District's Capital Assets

	Governmental Activities			2016
	2015	Additions	Deletions	
Land	\$ 621,960	-	-	621,960
Buildings and improvements	27,825,135	4,798,920	-	32,624,055
Vehicles	1,769,580	207,357	19,858	1,957,079
Equipment	1,368,653	124,261	-	1,492,914
Construction in Progress	2,183,645	1,999,780	2,119,069	2,064,356
Totals at historical cost	33,768,973	7,130,318	2,138,927	38,760,364
Less				
Total accumulated depreciation	12,356,031	984,130	19,858	13,320,303
Net capital assets	\$ 21,412,942	6,146,188	2,119,069	25,440,061

Long-Term Debt

The District's long-term debt consists of \$12,970,000 in General Obligation Bonds, \$155,877 in Unlimited Tax School Building Bonds, \$8,171 in bond accretion, \$1,448,481 in Bond Premium and a net pension liability of \$1,490,617.

For additional data refer to Note F, on page 37.

Net Pension Liability

The District implemented GASB Statement No. 68 during the year ended August 31, 2016. A prior period adjustment of \$720,653 was required to record the beginning balance of the pension liability for the year ended August 31, 2014. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirement Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental non-employer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred Inflows of-resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed.

For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised valuations used for the 2017 Budget preparation will be down \$158 million for maintenance and operations tax valuations and up \$153 million for debt service tax valuations. Continuing construction is anticipated for 2017, with the spending totaling \$7 million, during the year.
- General operating fund spending per student increased in the 2017 budget from \$21,713 in 2016 actual spending, exclusive of WADA costs, to \$25,659 in budgeted spending, a \$3,946 increase. The District has budgeted \$993,000 for WADA purchasing in 2017; however, this number is not reflected in the spending per student.
- The district's 2017 refined average daily attendance is expected to be steady at approximately 295 students.

These indicators were taken into account when adopting the general fund budget for 2017. Amounts available for appropriation in the general fund budget are \$8,777,883, a decrease of 8% from the final 2016 budget of \$9,540,371.

Maintenance and operating property taxes will decrease \$1,120,942, or 26%, from the prior year's final budget, due to a \$158 million decrease in maintenance and operation property valuations, while the interest and sinking funds property valuations increase by \$153 million; the tax rate will increase .0100/100 for debt service. State revenue is expected to decline by \$545,828 or 11% below 2016 actual state revenue of \$4,780,251 as a result of a decrease in local tax revenue due to decreased property values. State revenue will also decrease if the student population decreases. The District will use these decreased revenues to finance programs currently offered.

Expenditures are budgeted to decrease by \$163,554 from actual expenditures in the year ended 2016. The largest decrease is the decrease in recaptured costs of \$1,240,634. Their competitive salary schedule allowed the District to open the 2016-17 school year with no teacher vacancies.

If these estimates are realized, the District's budgetary General Fund balance is expected to remain essentially the same by the end of the fiscal year 2017.

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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office.

Basic Financial Statements

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

1

Data Control Codes	Governmental Activities
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 13,651,062
1120 <i>Current Investments</i>	1,000,000
1225 <i>Property Taxes Receivable (Net)</i>	686,924
1240 <i>Due from Other Governments</i>	1,569,509
1267 <i>Due from Fiduciary</i>	2,000
1290 <i>Other Receivables (Net)</i>	34,617
Capital Assets:	
1510 <i>Land</i>	621,960
1520 <i>Buildings and Improvements, Net</i>	21,449,176
1530 <i>Furniture and Equipment, Net</i>	1,304,569
1580 <i>Construction in Progress</i>	2,064,356
1000 Total Assets	<u>42,384,173</u>
DEFERRED OUTFLOWS OF RESOURCES:	
1705 <i>Deferred Outflow Related to Pensions</i>	542,060
1700 Total Deferred Outflows of Resources	<u>542,060</u>
LIABILITIES:	
2110 <i>Accounts Payable</i>	403,063
2140 <i>Interest Payable</i>	62,075
2165 <i>Accrued Liabilities</i>	324,517
2177 <i>Due to Fiduciary</i>	1,625
2300 <i>Unearned Revenue</i>	100,040
Noncurrent Liabilities:	
2501 <i>Due Within One Year</i>	429,048
2502 <i>Due in More Than One Year</i>	14,153,481
2540 <i>Net Pension Liability</i>	1,490,617
2000 Total Liabilities	<u>16,964,466</u>
DEFERRED INFLOWS OF RESOURCES:	
2605 <i>Deferred Inflow Related to Pensions</i>	110,962
2600 Total Deferred Inflows of Resources	<u>110,962</u>
NET POSITION:	
3200 Net Investment in Capital Assets	10,857,532
Restricted For:	
3850 <i>Debt Service</i>	623,791
3860 <i>Capital Projects</i>	(2,248,844)
3900 <i>Unrestricted</i>	16,618,326
3000 Total Net Position	<u>\$ 25,850,805</u>

The accompanying notes are an integral part of this statement.

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1	3	4	5
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions
	Governmental Activities:				
11	Instruction	\$ 3,971,495	\$ 13,598	\$ 415,277	\$ --
12	Instructional Resources and Media Services	64,445	237	1,952	--
13	Curriculum and Staff Development	9,218	35	2	--
21	Instructional Leadership	30,211	108	1,702	--
23	School Leadership	502,573	1,798	32,004	--
31	Guidance, Counseling, & Evaluation Services	155,909	565	11,012	--
33	Health Services	128,025	460	9,063	--
34	Student Transportation	169,159	296	13,211	--
35	Food Service	487,896	9,618	219,718	--
36	Cocurricular/Extracurricular Activities	420,786	5,381	10,261	--
41	General Administration	761,353	2,760	35,703	--
51	Facilities Maintenance and Operations	1,333,569	4,872	32,524	--
52	Security and Monitoring Services	81,011	293	6,547	--
53	Data Processing Services	88,465	164	3,102	--
61	Community Services	624	3	--	--
72	Interest on Long-term Debt	212,791	--	935	--
73	Bond Issuance Costs and Fees	210,511	--	--	--
81	Capital Outlay	--	--	--	795,111
91	Contracted Instructional Services between Schools	2,233,634	9,403	653	--
95	Payments to Juvenile Justice Alternative Ed. Progra	7,110	31	2	--
99	Other Intergovernmental Charges	72,983	--	--	--
TG	Total Governmental Activities	<u>10,941,768</u>	<u>49,622</u>	<u>793,668</u>	<u>795,111</u>
TP	Total Primary Government	<u>\$ 10,941,768</u>	<u>\$ 49,622</u>	<u>\$ 793,668</u>	<u>\$ 795,111</u>

General Revenues:

MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
IE	Investment Earnings
GC	Grants and Contributions Not Restricted to Specific Programs
MI	Miscellaneous
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
NE	Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense)
Revenue and
Changes in
Net Position

Governmental
Activities

\$	(3,542,620)
	(62,256)
	(9,181)
	(28,401)
	(468,771)
	(144,332)
	(118,502)
	(155,652)
	(258,560)
	(405,144)
	(722,890)
	(1,296,173)
	(74,171)
	(85,199)
	(621)
	(211,856)
	(210,511)
	795,111
	(2,223,578)
	(7,077)
	(72,983)
	<u>(9,303,367)</u>
	<u>(9,303,367)</u>

	4,840,084
	792,814
	39,156
	4,480,140
	61,050
	<u>10,213,244</u>
	909,877
	24,940,928
\$	<u><u>25,850,805</u></u>

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2016

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 4,838,398	\$ 8,794,209	\$ 18,454	\$ 13,651,061
1120	Current Investments	1,000,000	--	--	1,000,000
1225	Taxes Receivable, Net	639,949	--	46,975	686,924
1240	Due from Other Governments	1,517,441	--	52,068	1,569,509
1260	Due from Other Funds	57,702	1,160	2,717	61,579
1290	Other Receivables	34,298	--	319	34,617
1000	Total Assets	<u>8,087,788</u>	<u>8,795,369</u>	<u>120,533</u>	<u>17,003,690</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 98,927	\$ 288,509	\$ 15,627	\$ 403,063
2150	Payroll Deductions & Withholdings	1,418	--	--	1,418
2160	Accrued Wages Payable	301,900	--	21,199	323,099
2170	Due to Other Funds	5,502	55,611	91	61,204
2300	Unearned Revenue	100,000	--	40	100,040
2000	Total Liabilities	<u>507,747</u>	<u>344,120</u>	<u>36,957</u>	<u>888,824</u>
DEFERRED INFLOWS OF RESOURCES:					
	Deferred Revenue	639,949	--	46,976	686,925
2600	Total Deferred Inflows of Resources	<u>639,949</u>	<u>--</u>	<u>46,976</u>	<u>686,925</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	23,120	23,120
3470	Capital Acquisitions & Contractual Obligations	--	8,451,249	3,478	8,454,727
3480	Retirement of Long-Term Debt	--	--	3,222	3,222
Committed Fund Balances:					
3545	Other Committed Fund Balance	4,217,248	--	6,780	4,224,028
3600	Unassigned	2,722,844	--	--	2,722,844
3000	Total Fund Balances	<u>6,940,092</u>	<u>8,451,249</u>	<u>36,600</u>	<u>15,427,941</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 8,087,788</u>	<u>\$ 8,795,369</u>	<u>\$ 120,533</u>	<u>\$ 17,003,690</u>

The accompanying notes are an integral part of this statement.

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

Total fund balances - governmental funds balance sheet	\$ 15,427,941
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	25,440,062
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	686,925
Payables for bond principal which are not due in the current period are not reported in the funds.	(14,582,528)
Payables for bond interest which are not due in the current period are not reported in the funds.	(62,075)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,490,617)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(110,962)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	542,060
Rounding difference	<u>(1)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 25,850,805</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 4,761,315	\$ 20,566	\$ 1,589,815	\$ 6,371,696
5800 State Program Revenues	4,776,430	--	3,821	4,780,251
5900 Federal Program Revenues	22,838	--	419,028	441,866
5020 Total Revenues	<u>9,560,583</u>	<u>20,566</u>	<u>2,012,664</u>	<u>11,593,813</u>
EXPENDITURES:				
Current:				
0011 Instruction	3,155,781	107,908	202,030	3,465,719
0012 Instructional Resources and Media Services	56,441	--	--	56,441
0013 Curriculum and Staff Development	8,193	--	--	8,193
0021 Instructional Leadership	25,944	--	--	25,944
0023 School Leadership	427,301	--	766	428,067
0031 Guidance, Counseling, & Evaluation Services	133,786	--	--	133,786
0033 Health Services	109,337	--	--	109,337
0034 Student Transportation	70,334	211,357	--	281,691
0035 Food Service	--	7,000	450,141	457,141
0036 Cocurricular/Extracurricular Activities	354,273	--	14,851	369,124
0041 General Administration	655,279	2,856	--	658,135
0051 Facilities Maintenance and Operations	1,157,605	12,970	--	1,170,575
0052 Security and Monitoring Services	69,230	--	--	69,230
0053 Data Processing Services	39,207	209,011	--	248,218
0061 Community Services	553	--	--	553
0071 Principal on Long-term Debt	56,787	--	591,433	648,220
0072 Interest on Long-term Debt	1,905	--	270,387	272,292
0073 Bond Issuance Costs and Fees	--	210,511	--	210,511
0081 Capital Outlay	90,247	3,346,404	1,075,649	4,512,300
0091 Contracted Instructional Services				
0091 Between Public Schools	2,233,634	--	--	2,233,634
0095 Payments to Juvenile Justice Alternative				
0095 Education Programs	7,110	--	--	7,110
0099 Other Intergovernmental Charges	72,983	--	--	72,983
6030 Total Expenditures	<u>8,725,930</u>	<u>4,108,017</u>	<u>2,605,257</u>	<u>15,439,204</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	834,653	(4,087,451)	(592,593)	(3,845,391)
Other Financing Sources and (Uses):				
7911 Capital-Related Debt Issued (Regular Bonds)	--	12,970,000	--	12,970,000
7915 Transfers In	277,000	11,488	501,538	790,026
7916 Premium or Discount on Issuance of Bonds	--	1,549,674	--	1,549,674
8911 Transfers Out	(778,538)	--	(11,488)	(790,026)
8949 Other Uses	(97,641)	--	--	(97,641)
7080 Total Other Financing Sources and (Uses)	<u>(599,179)</u>	<u>14,531,162</u>	<u>490,050</u>	<u>14,422,033</u>
1200 Net Change in Fund Balances	235,474	10,443,711	(102,543)	10,576,642
0100 Fund Balances - Beginning	6,704,618	(1,992,462)	139,143	4,851,299
3000 Fund Balances - Ending	<u>\$ 6,940,092</u>	<u>\$ 8,451,249</u>	<u>\$ 36,600</u>	<u>\$ 15,427,941</u>

The accompanying notes are an integral part of this statement.

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

Net change in fund balances - total governmental funds	\$ 10,576,642
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	5,011,248
The depreciation of capital assets used in governmental activities is not reported in the funds.	(984,130)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	206,140
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	101,194
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	591,433
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	56,787
(Increase) decrease in accrued interest from beginning of period to end of period.	(41,692)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(12,970,000)
Bond premiums are reported in the funds but not in the SOA.	(1,549,674)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(88,071)
Rounding difference	<u>(1)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 909,877</u>

The accompanying notes are an integral part of this statement.

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUND

AUGUST 31, 2016

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	ASSETS:	
1000	Total Assets	\$ --
	LIABILITIES:	
2000	Total Liabilities	--
	NET POSITION:	
3000	Total Net Position	\$ --

The accompanying notes are an integral part of this statement.

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 27,646
5020	Total Revenues	<u>27,646</u>
	OPERATING EXPENSES:	
6400	<i>Other Operating Costs</i>	27,646
6030	Total Expenses	<u>27,646</u>
1300	Change in Net Position	--
0100	Total Net Position - Beginning	--
3300	Total Net Position - Ending	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Nonmajor Internal Service Funds
	<u> </u>
Cash Flows from Operating Activities:	
<i>Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds</i>	\$ (27,646)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	<u>27,646</u>
Net Cash Provided (Used) by Operating Activities	<u> --</u>
Net Increase (Decrease) in Cash and Cash Equivalents	--
Cash and Cash Equivalents at Beginning of Year	--
Cash and Cash Equivalents at End of Year	<u><u> --</u></u>

The accompanying notes are an integral part of this statement.

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2016

Data Control Codes	Private-purpose Trust Funds	Private-Purpose Trust Fund	Agency Funds
ASSETS:			
1110		\$ 22,462	\$ 83,469
1260		--	1,625
1000		<u>22,462</u>	<u>85,094</u>
LIABILITIES:			
Current Liabilities:			
2110		\$ --	\$ 3,702
2170		2,000	--
2190		--	81,392
2000		<u>2,000</u>	<u>85,094</u>
NET POSITION:			
3800		20,462	--
3000		<u>\$ 20,462</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 65
Gifts & Bequests	3,000
Miscellaneous Income	--
Total Additions	<u>3,065</u>
Deductions:	
Scholarship Awards	2,000
Miscellaneous Operating Costs	--
Total Deductions	<u>2,000</u>
Change in Net Assets	1,065
Net Assets-Beginning of the Year	19,397
Net Assets-End of the Year	<u>\$ 20,462</u>

The accompanying notes are an integral part of this statement.

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Capital Projects Fund. This fund accounts for the proceeds of bonds issued and the related costs of construction.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

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

b. Measurement Focus, Basis of Accounting

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

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

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

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

The following is a schedule of delinquent taxes receivable and the allowance for uncollectible taxes for the District:

	Balance 09/01/15	Current Year Levy	Total Collections	Yearly Adjustments	Balance 08/31/16
Delinquent Taxes Receivable	\$ 1,096,342	\$ 5,498,620	\$ 5,136,591	\$ (155,888)	1,302,483
Allowance for Uncollectible Taxes	(615,559)				(615,559)
Net Delinquent Taxes Receivable	<u>\$ 480,783</u>	<u>\$ 5,498,620</u>	<u>\$ 5,136,591</u>	<u>\$ (155,888)</u>	<u>686,924</u>

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

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

d. Capital Assets

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or provide service. Common indicators of impairment include - evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner of duration or use of capital assets; or construction stoppage due to lack of funding. There were no impairment changes during fiscal year 2016.

e. **Deferred Outflows and Inflows of Resources**

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

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

f. **Receivable and Payable Balances**

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

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

g. **Compensated Absences**

On retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump case payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

h. Interfund Activity

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

i. Use of Estimates

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

j. Data Control Codes

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

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

The District has adopted a minimum fund balance of three months average expenditures of the General Fund, which in the current year is calculated to be \$2,100,625.

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

l. Net Position Flow Assumption

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

m. Fund Balance Flow Assumptions

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

4. Pensions

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

5. New Accounting Standards Adopted

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

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- Statement No. 77, *Tax Abatement Disclosures*

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
Excess Expenditures over Appropriations	The District will examine and improve existing policies and procedures to ensure that expenditures do not exceed budget.

<u>Fund</u>	<u>Function</u>	<u>Amount</u>
General Fund	00-Transfers Out	\$ 256,416
National School Breakfast and Lunch Program	35-Food Services	16,563
National School Breakfast and Lunch Program	00-Transfer Out	11,488

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

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

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

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,756,993 and the bank balance was \$12,290,588. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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

The District's investment at August 31, 2016 is shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit	Various	\$ 1,000,000
Total Investments		<u>\$ 1,000,000</u>

The Certificates of Deposit are included in the total cash balances stated above as they are considered cash equivalents.

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Investment Accounting Policy

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

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 621,960	\$ --	\$ --	\$ 621,960
Construction in progress	2,183,645	1,999,780	2,119,069	2,064,356
Total capital assets not being depreciated	<u>2,805,605</u>	<u>1,999,780</u>	<u>2,119,069</u>	<u>2,686,316</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	27,825,135	4,798,920	--	32,624,055
Equipment	1,368,653	124,261	--	1,492,914
Vehicles	1,769,580	207,357	19,858	1,957,079
Total capital assets being depreciated	<u>30,963,368</u>	<u>5,130,538</u>	<u>19,858</u>	<u>36,074,048</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,301,277)	(873,602)	--	(11,174,879)
Equipment	(1,231,174)	(22,147)	--	(1,253,321)
Vehicles	(823,580)	(88,381)	(19,858)	(892,103)
Total accumulated depreciation	<u>(12,356,031)</u>	<u>(984,130)</u>	<u>(19,858)</u>	<u>(13,320,303)</u>
Total capital assets being depreciated, net	<u>18,607,337</u>	<u>4,146,408</u>	<u>--</u>	<u>22,753,745</u>
Governmental activities capital assets, net	<u>\$ 21,412,942</u>	<u>\$ 6,146,188</u>	<u>\$ 2,119,069</u>	<u>\$ 25,440,061</u>

Depreciation was charged to functions as follows:

Instruction	\$ 432,883
Instructional Resources and Media Services	6,985
Curriculum and Staff Development	1,025
Instructional Leadership	3,247
School Leadership	53,195
Guidance, Counseling, & Evaluation Services	16,719
Health Services	13,675
Student Transportation	88,381
Food Services	56,771
Extracurricular Activities	45,990
General Administration	82,357
Plant Maintenance and Operations	143,107
Security and Monitoring Services	8,663
Data Processing Services	31,061
Community Services	71
	<u>\$ 984,130</u>

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

E. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 91	Short-term loans
General Fund	Capital Projects Fund	55,611	Short-term loans
General Fund	Private Purpost Trust Fund	2,000	Short-term loans
Capital Projects Fund	General Fund	1,160	Short-term loans
Trust and Agency	General Fund	1,624	Short-term loans
Other Governmental Funds	General Fund	2,718	Short-term loans
	Total	\$ 63,204	

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

2. Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
General fund	Extracurricular Fund (161)	\$ 277,000	Supplement other funds sources
General fund	Other Governmental Funds	501,538	Supplement other funds sources
Capital Projects Fund	Other Governmental Funds	11,488	Reimbursement of expenditures
	Total	\$ 790,026	

F. Long-Term Obligations

1. Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ --	\$ 12,970,000	\$ --	\$ 12,970,000	\$ 265,000
Capital leases	56,787	--	56,787	--	--
Unlimited Tax School Building Bonds	747,310	--	591,433	155,877	155,877
Accretion	26,788	4,950	23,567	8,171	8,171
Premium on Bonds	--	1,549,675	101,194	1,448,481	--
Net Pension Liability *	894,830	720,653	124,866	1,490,617	--
Total governmental activities	\$ 1,725,715	\$ 15,245,278	\$ 897,847	\$ 16,073,146	\$ 429,048

* Other long-term liabilities

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

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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General Obligation Bonds consist of:	2016	2015
\$6,440,000 Unlimited School District Bonds, Series 2016, due in semi-annual installments ranging from \$376,373 to \$408,000, plus interest at 2.0% to 4.0%, maturing in 2041	\$ 6,440,000	\$ --
\$6,440,000 Unlimited School District Bonds, Series 2015, due in semi-annual installments ranging from \$432,600 to \$434,563, plus interest at 4.0% to 4.5%, maturing in 2040	6,530,000	--
	\$ 12,970,000	\$ --
Unlimited Tax School Building Bonds consist of:	2016	2015
Unlimited Tax School Building Bonds Series 2012, due in and in 2017 with principal of \$155,877 and interest of \$9,123, for capital improvements, interest from 1% to 1.16%	\$ 155,877	\$ 747,310

2. Debt Service Requirements

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

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 265,000	\$ 543,973	\$ 808,973
2018	345,000	491,550	836,550
2019	360,000	481,000	841,000
2020	370,000	469,125	839,125
2021	385,000	455,900	840,900
2022-2026	2,125,000	2,064,475	4,189,475
2027-2031	2,560,000	1,624,500	4,184,500
2032-2036	3,135,000	1,058,712	4,193,712
2037-2041	3,425,000	334,613	3,759,613
Totals	\$ 12,970,000	\$ 7,523,848	\$ 20,493,848

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters.

During the year ended August 31, 2016, Webb CISD met its statutory workers' compensation obligations, provided unemployment compensation coverage to its employees, and obtained property, liability, and auto coverage through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. The Fund provides statutory workers' compensation benefits to its members and their injured employees. The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2015, the Fund carries a discounted reserve of \$58,364,320 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2016, the fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program, the Auto Program, and the Liability Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2015, the Fund anticipates that Webb CISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct an independent financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available on the TASB Risk Management Fund website and have been filed with the Texas State Board of Insurance in Austin.

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trstate.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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4. Contributions

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

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

	<u>Contribution Rates</u>	
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2016 Employer Contributions	\$ 121,982	
District's 2016 Member Contributions	\$ 250,532	
NECE 2015 On-Behalf Contributions to District	\$ 194,294	

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

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

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
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In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

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

5. Actuarial Assumptions

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

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

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

6. Discount Rate

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

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
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Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Real Rate of Return			
As of August 31, 2015			
	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflat. Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 2,335,551	\$ 1,490,617	\$ 786,880

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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

At August 31, 2016, the District reported a liability of \$1,490,617 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,490,617
State's proportionate share of the net pension liability associated with the District	<u>2,318,771</u>
Total	<u>\$ 3,809,388</u>

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

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0042170%. which was an increase (decrease) of 0.0008670% from its proportion measured as of August 31, 2014.

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

Economic Assumptions

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

Mortality Assumptions

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

For the year ended August 31, 2016, the District recognized pension expense of \$330,388 and revenue of \$330,388 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,509	\$ 57,286
Changes in actuarial assumptions	48,374	53,179
Difference between projected and actual investment earnings	161,983	
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	198,212	497
District contributions paid to TRS subsequent to the measurement date	121,982	
Total	<u>\$ 542,060</u>	<u>\$ 110,962</u>

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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

Year Ended August 31	Pension Expense Amount
2017	\$ 50,297
2018	\$ 50,297
2019	\$ 118,672
2020	\$ 26,177
2021	\$ 13,375
Thereafter	\$ --

I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$34,796, \$36,333, and \$341,313, respectively, the active member contributions were \$22,618, \$23,616, and \$22,184, respectively, and the District's contributions were \$19,138, \$18,771, and \$18,771, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$13,422, \$13,964, and \$9,711, respectively.

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2016

J. Employee Health Care Coverage

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$614 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2016, and terms of coverage and premium costs are included in the contractual provisions.

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

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2016.

L. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for Title III Part A - English Language Acquisition with several school districts through the Region I Education Service Center.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region I Education Service Center nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

M. Subsequent Events

Subsequent events were evaluated through December 16, 2016, which is the date of the financial statements.

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016**

N. Concentration of Risk

The District is located within Webb County, Texas, and derives approximately 72% of its general fund revenue from property taxes and related penalties and interest. The District's top ten taxpayers have a taxable property value of \$270,337,950 or 36.52% of the total taxable value of \$737,557,157. All of the top ten taxpayers are oil & gas related. These are as follows:

Taxpayer	Taxable Value	Percent of Total Taxable Value
Conoco Phillips	\$ 123,468,700	16.74%
Whitetail Wind Farm	30,266,800	4.10%
EOG Resources	26,166,950	3.55%
EXPL Leasing, LLC	14,823,180	2.01%
Conoco Phillips Company	14,350,520	1.95%
Linn Operating LLC	13,674,170	1.85%
Bruni Mineral Trust #2	13,388,360	1.82%
AEP Electric Transmission of Texas, LLC	11,297,080	1.53%
Hilcorp Energy Company	11,058,030	1.50%
Lobo Pipeline Company	10,844,160	1.47%
Total Top Ten	\$ 269,337,950	36.52%
Total Taxable Value	\$ 737,557,157	100.00%

O. School Funding - Weighted Average Daily Attendance (WADA) Purchases

During the year ended August 31, 2016, the District was subject to the wealth equalization provision of Chapter 41 of the Texas Education Code. The District purchased WADA from the State as stated below:

Purchased From	WADA Purchased	Cost per WADA	Less CAD Costs and Discount	Total
State of Texas (original calculation)	<u>781.505</u>	<u>\$ 3,016.0000</u>	<u>\$(123,801)</u>	<u>2,233,218</u>

Required Supplementary Information

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

Page 1 of 2

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 4,724,844	\$ 4,750,297	\$ 4,761,315	\$ 11,018
5800	State Program Revenues	4,447,634	4,790,074	4,776,430	(13,644)
5900	Federal Program Revenues	--	--	22,838	22,838
5020	Total Revenues	<u>9,172,478</u>	<u>9,540,371</u>	<u>9,560,583</u>	<u>20,212</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	3,269,888	3,190,717	3,155,781	34,936
0012	Instructional Resources and Media Services	87,311	65,464	56,441	9,023
0013	Curriculum and Staff Development	46,275	21,275	8,193	13,082
	Total Instruction & Instr. Related Services	<u>3,403,474</u>	<u>3,277,456</u>	<u>3,220,415</u>	<u>57,041</u>
Instructional and School Leadership:					
0021	Instructional Leadership	74,878	45,843	25,944	19,899
0023	School Leadership	452,189	433,064	427,301	5,763
	Total Instructional & School Leadership	<u>527,067</u>	<u>478,908</u>	<u>453,245</u>	<u>25,663</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	157,566	137,867	133,786	4,081
0033	Health Services	97,374	111,582	109,337	2,245
0034	Student (Pupil) Transportation	153,236	85,246	70,334	14,912
0036	Cocurricular/Extracurricular Activities	404,267	371,865	354,273	17,592
	Total Support Services - Student (Pupil)	<u>812,443</u>	<u>706,561</u>	<u>667,730</u>	<u>38,831</u>
Administrative Support Services:					
0041	General Administration	569,425	679,140	655,279	23,861
	Total Administrative Support Services	<u>569,425</u>	<u>679,140</u>	<u>655,279</u>	<u>23,861</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,209,974	1,162,000	1,157,605	4,395
0052	Security and Monitoring Services	71,250	72,033	69,230	2,803
0053	Data Processing Services	98,682	58,472	39,207	19,265
	Total Support Services - Nonstudent Based	<u>1,379,906</u>	<u>1,292,504</u>	<u>1,266,042</u>	<u>26,462</u>
Ancillary Services:					
0061	Community Services	1,500	1,500	553	947
	Total Ancillary Services	<u>1,500</u>	<u>1,500</u>	<u>553</u>	<u>947</u>
Debt Service:					
0071	Principal on Long-Term Debt	56,787	56,787	56,787	--
0072	Interest on Long-Term Debt	1,905	1,905	1,905	--
	Total Debt Service	<u>58,692</u>	<u>58,692</u>	<u>58,692</u>	<u>--</u>
Capital Outlay:					
0081	Capital Outlay	390,000	94,200	90,247	3,953
	Total Capital Outlay	<u>390,000</u>	<u>94,200</u>	<u>90,247</u>	<u>3,953</u>

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

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

EXHIBIT G-1

Page 2 of 2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)	
	Budgeted Amounts					
	Original	Final		Actual		
Intergovernmental Charges:						
0091	<i>Contracted Instr. Services Between Public Schools</i>		2,402,862	2,314,000	2,233,634	80,366
0095	<i>Payments to Juvenile Justice Alternative Education Programs</i>		10,000	7,110	7,110	--
0099	<i>Other Intergovernmental Charges</i>		105,000	73,000	72,983	17
	Total Intergovernmental Charges		<u>2,517,862</u>	<u>2,394,110</u>	<u>2,313,727</u>	<u>80,383</u>
6030	Total Expenditures		<u>9,660,369</u>	<u>8,983,071</u>	<u>8,725,930</u>	<u>257,141</u>
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures		<u>(487,891)</u>	<u>557,300</u>	<u>834,653</u>	<u>277,353</u>
Other Financing Sources (Uses):						
7915	<i>Transfers In</i>		--	293,125	277,000	(16,125)
8911	<i>Transfers Out</i>		(550,012)	(522,122)	(778,538)	(256,416)
8949	<i>Other Uses</i>		(77,921)	(97,642)	(97,641)	1
7080	Total Other Financing Sources and (Uses)		<u>(627,933)</u>	<u>(326,639)</u>	<u>(599,179)</u>	<u>(272,540)</u>
1200	Net Change in Fund Balance		<u>(1,115,824)</u>	<u>230,661</u>	<u>235,474</u>	<u>4,813</u>
0100	Fund Balance - Beginning		6,704,618	6,704,618	6,704,618	--
3000	Fund Balance - Ending		<u>\$ 5,588,794</u>	<u>\$ 6,935,279</u>	<u>\$ 6,940,092</u>	<u>\$ 4,813</u>

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 LAST TEN FISCAL YEARS **

EXHIBIT G-2

	<u>Fiscal Year</u> 2016	<u>Fiscal Year</u> 2015
District's proportion of the net pension liability (asset)	0.0042169%	0.00335%
District's proportionate share of the net pension liability (asset)	\$ 1,490,618	\$ 894,831
State's proportionate share of the net pension liability (asset) associated with the District	2,318,771	1,805,538
Total	<u>\$ 3,809,389</u>	<u>\$ 2,700,369</u>
District's covered-employee payroll	\$ 3,633,254	\$ 3,413,090
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.03%	26.22%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	<u>Fiscal Year</u> 2016	<u>Fiscal Year</u> 2015
Contractually required contribution	\$ 121,982	\$ 125,110
Contributions in relation to the contractually required contribution	(121,982)	(125,110)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 3,479,617	\$ 3,633,254
Contributions as a percentage of covered-employee payroll	3.51%	3.44%

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

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

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

Budget

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

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Other Supplementary Information

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

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2016

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2007 and Prior Years	\$ Various	\$ Various	\$ Various
2008	.8067	.0411	1,541,943,531
2009	.8203	.0339	1,677,389,818
2010	.8033	.0442	1,438,114,167
2011	.8033	.043	1,482,556,601
2012	.8033	.0486	1,297,586,366
2013	.8033	.0645	860,947,319
2014	.8033	.0645	899,847,789
2015	.8033	.0645	927,387,155
2016 (School Year Under Audit)	.8033	.11	737,557,157
1000 Totals			
9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code			

Note:	M & O Appraised Value	\$	581,605,461
	I & S Appraised Value	\$	737,557,157

The difference in appraised value is due to a Chapter 313 Agreement with exemptions of \$155,84,45 of appraised value for school tax purposes dated December 10, 2009, to begin in the 2012-2013 school year.

EXHIBIT J-1

10 Beginning Balance 9/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/16
\$ 342,152	\$ --	\$ 3,073	\$ 44	\$ (8,340)	\$ 330,695
22,481	--	842	43	(1,497)	20,099
35,515	--	1,396	58	(1,361)	32,700
35,267	--	2,221	122	(1,766)	31,158
36,493	--	4,684	251	(1,428)	30,130
67,216	--	4,680	285	(1,424)	60,827
133,280	--	6,478	520	(649)	125,633
138,380	--	15,489	1,247	(1,223)	120,421
285,558	--	36,924	3,029	(9,701)	235,904
--	5,498,620	4,301,541	753,664	(128,499)	314,916
<u>\$ 1,096,342</u>	<u>\$ 5,498,620</u>	<u>\$ 4,377,328</u>	<u>\$ 759,263</u>	<u>\$ (155,888)</u>	<u>\$ 1,302,483</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 8,000	\$ 9,302	\$ 9,618	\$ 316
5800	State Program Revenues	5,000	2,140	2,140	--
5900	Federal Program Revenues	152,000	193,139	217,032	23,893
5020	Total Revenues	<u>165,000</u>	<u>204,581</u>	<u>228,790</u>	<u>24,209</u>
EXPENDITURES:					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	420,455	433,578	450,141	(16,563)
	Total Support Services - Student (Pupil)	<u>420,455</u>	<u>433,578</u>	<u>450,141</u>	<u>(16,563)</u>
6030	Total Expenditures	<u>420,455</u>	<u>433,578</u>	<u>450,141</u>	<u>(16,563)</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(255,455)</u>	<u>(228,997)</u>	<u>(221,351)</u>	<u>7,646</u>
Other Financing Sources (Uses):					
7915	Transfers In	--	228,997	221,000	(7,997)
8911	Transfers Out	--	--	(11,488)	(11,488)
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>228,997</u>	<u>209,512</u>	<u>(19,485)</u>
1200	Net Change in Fund Balance	<u>(255,455)</u>	<u>--</u>	<u>(11,839)</u>	<u>(11,839)</u>
0100	Fund Balance - Beginning	34,959	34,959	34,959	--
3000	Fund Balance - Ending	<u>\$ (220,496)</u>	<u>\$ 34,959</u>	<u>\$ 23,120</u>	<u>\$ (11,839)</u>

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

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

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
REVENUES:					
5700	\$ 784,260	\$ 762,460	\$ 764,460	\$ 764,456	\$ 1,996
5800	--	935	935	935	--
5020	<u>784,260</u>	<u>763,395</u>	<u>765,391</u>	<u>765,391</u>	<u>1,996</u>
EXPENDITURES:					
Debt Service:					
0071	591,433	591,433	591,433	591,433	--
0072	270,387	270,387	270,387	270,387	--
	<u>861,820</u>	<u>861,820</u>	<u>861,820</u>	<u>861,820</u>	<u>--</u>
6030	<u>861,820</u>	<u>861,820</u>	<u>861,820</u>	<u>861,820</u>	<u>--</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(77,560)	(98,425)	(96,429)	1,996
1200	Net Change in Fund Balance	<u>(77,560)</u>	<u>(98,425)</u>	<u>(96,429)</u>	<u>1,996</u>
0100	Fund Balance - Beginning	99,651	99,651	99,651	--
3000	Fund Balance - Ending	<u>\$ 22,091</u>	<u>\$ 1,226</u>	<u>\$ 3,222</u>	<u>\$ 1,996</u>

JOHN WOMACK & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

JOHN L. WOMACK, CPA
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KINGSVILLE, TEXAS 78364
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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

Board of Trustees
Webb Consolidated Independent School District
Box 206
Bruni, Texas 78344

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Webb Consolidated Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise Webb Consolidated Independent School District's basic financial statements, and have issued our report thereon dated December 16, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2016-1 and 2016-2, that we consider to be significant deficiencies.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Webb Consolidated Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2016-3.

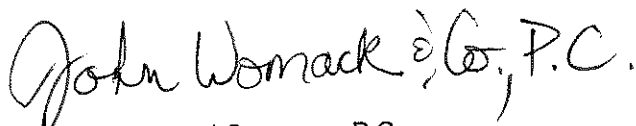
Webb Consolidated Independent School District's Response to Findings

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

Purpose of this Report

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

Respectfully submitted,



John Womack and Company, P.C.
Kingsville, TX
December 16, 2016

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weaknesses identified?	<u> </u> Yes	<u> X </u> No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None Reported	
Noncompliance material to financial statements noted?	<u> X </u> Yes	<u> </u> No	

2. Federal Awards

A Single Audit was not required in the current year.

B. Financial Statement Findings

2016-1 Internal Control - Purchase Orders

Condition: Purchase orders are not always being approved prior to the incurring of expenditures.

Criteria: Purchase orders should be prepared and approved prior to the purchase of goods or services.

Cause: Lack of adequate controls over the purchasing process.

Effect: Expenditures could exceed budget prior to management's knowledge without prior approval.

Recommendation: We recommend the District strengthen its purchasing process to ensure that all purchase orders are approved prior to the actual purchase of goods or services.

Client Response: The District concurs with this finding. Administration practice has been implemented requiring business office approval before any purchases are made district-wide. Vendors have been sent a notice not to accept orders without purchase order for strict compliance.

2016-2 Internal Control - E Rate

Condition: The District failed to properly track and report data for the E Rate claim.

Criteria: The District is required to track and report specific data in order to receive E Rate funds.

Cause: Lack of proper controls over financial reporting.

Effect: The District did not receive funding for which it could have been eligible.

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

Recommendation: We recommend the District develop policies and procedures which would ensure proper controls over E Rate reporting on a timely basis.

Client Response: The District concurs with this finding. Information technology director is working hand in hand with the business office to ensure E Rate forms are appropriately filed annually and on time.

2016-3 State Compliance - Campus Improvement Plans

Condition: The District did not present the Campus Improvement Plans to the Board for approval on an annual basis.

Criteria: The State requires that the Board of Trustees ensure that the District and all campus plans be developed, reviewed and revised annually for the purpose of improving the performance of all students. Annual Board approval must ensure that the district and campus plans are mutually supportive to accomplish the identified objectives and support state goals and objectives.

Cause: Administrators failed to present the plans for annual Board approval.

Effect: Violation of state law and lack of timely data provided to the Board for decision making and budgeting.

Recommendation: We recommend that the District develop policies and procedures to ensure that all campus improvement plans are reviewed, revised, and approved annually.

Client Response: The District concurs with this finding. Each campus improvement plan has been appropriately approved in the current year by both site-based committees and the School Board. The Administration practice has been implemented to be tracked annually by the business office.

C. Federal Award Findings and Questioned Costs

NONE

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

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings or questioned costs in the prior year.		

WEBB CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

2016-1 Internal Control - Purchase Orders

Administration practice has been implemented requiring business office approval before any purchases are made district-wide. Vendors have been sent a notice not to accept orders without purchase order for strict compliance.

2016-2 Internal Control - E Rate

Information technology director is working hand in hand with the business office to ensure E Rate forms are appropriately filed annually and on time.

2016-3 State Compliance - Campus Improvement Plans

Each campus improvement plan has been appropriately approved in the current year by both site-based committees and the School Board. The Administration practice has been implemented to be tracked annually by the business office.

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

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	Yes
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 1,490,617
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 237,403