

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2016

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016**

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF BOARD		
FINANCIAL SECTION		
<u>Independent Auditor's Report</u>		
Unmodified Opinions on the Basic Financial Statements	1	
Management's Discussion and Analysis (Required Supplementary Information)	4	
<u>Basic Financial Statements</u>		
Government Wide Financial Statements		
Statement of Net Position	11	A-1
Statement of Activities	12	B-1
Governmental Fund Financial Statements		
Balance Sheet	13	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances	15	C-3
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16	C-4
Proprietary Fund Financial Statements		
Statement of Net Position	17	D-1
Statement of Revenues, Expenses and Changes in Net Position	18	D-2
Statement of Cash Flows.....	19	D-3
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Position.....	20	E-1
Statement of Changes in Fiduciary Fund Net Position	21	E-2
Notes to Financial Statements	22	
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedule – General Fund	43	G-1
Schedule of District's Proportionate Share of the Net Pension Liability	44	G-2
Schedule of District Contributions	45	G-3
Notes to Required Supplementary Information.....	46	

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

TABLE OF CONTENTS (CONCLUDED)

	<u>Page</u>	<u>Exhibit</u>
<u>Other Supplementary Information</u>		
Combining Schedules		
Non-Major Governmental Funds		
Combining Balance Sheet	47	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	48	H-2
Internal Service Funds		
Combining Statement of Net Position	49	H-3
Combining Statement of Revenues, Expenses and Changes in Net Position	50	H-4
Combining Statement of Cash Flows.....	51	H-5
Required Texas Education Agency Schedules		
Schedule of Delinquent Taxes Receivable	52	J-1
Budgetary Comparison Schedule – Child Nutrition Fund	53	J-2
Budgetary Comparison Schedule – Debt Service Fund	54	J-3
OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55	
Schedule of State Findings and Questioned Costs	57	
<u>Other TEA Required Schedule</u>		
Schools FIRST Questionnaire.....	58	L-1

CERTIFICATE OF BOARD

Wink-Loving Independent School District
Name of School District

Winkler
County

248-902
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 15th day of November, 2016.

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

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Wink-Loving Independent School District
Wink, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information Wink-Loving Independent School District, as of August 31, 2016, and the respective changes in financial position and, where applicable, the cash flows thereof and for the year then ended in conformity 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 on pages 4-10, budgetary comparison information on page 43, and net pension liability information on pages 44-46 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wink-Loving Independent School District's basic financial statements. The accompanying combining balance sheet and statements of revenues, expenditures and changes in fund balance for all non-major governmental funds, combining statement of revenues, expenses and changes in net position and combining statement of cash flow for all proprietary funds, and required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this accompanying information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Wink-Loving Independent School District's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

November 1, 2016

WINK-LOVING INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the Wink-Loving Independent School District's (the District) financial performance provides an overview of the District's financial performance for the year ended August 31, 2016. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditor's Report.

The Management's Discussion and Analysis (MD&A) is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*

FINANCIAL HIGHLIGHTS

- The net position of the District increased by \$4,603,599. The District's Statement of Activities shows total revenues of \$26,729,976, and expenses totaled \$22,126,377.
- The District ended the year, August 31, 2016, with total net position of \$28,083,921, including unrestricted net position of \$7,253,223. The balance of cash and investments at August 31, 2016, was \$14,928,932.
- Total government-wide expenses were \$22,126,377 for the year ended August 31, 2016. This compares with expenses of \$20,272,442 for the year ended August 31, 2015.
- The District's total revenues on the Statement of Activities decreased from \$26,761,378 in 2014-15 to \$26,729,976 in 2015-16.
- The District's general fund balance increased by \$1,467,409 during 2015-16.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how the services of the District were sold to departments within the District. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.

The combining statements for non-major funds contain information about the District's individual non-major funds. The sections labeled TEA Required Schedules contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

Government-Wide Financial Statements

The analysis of the District's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business-type activities or component units as defined in the GASB Statement No. 34.

- Governmental activities – All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education through TEA. The District's administration establishes many other funds to help it control and manage money for particular purposes.

The District's three fund types – governmental, proprietary and fiduciary – use different accounting approaches.

- Governmental funds – Most of the District's basic services are included in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following the fund financial statements.
- Proprietary funds – The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (the District's only category of proprietary funds) report activities that provide worker's compensation insurance coverage to the District's other programs and activities.

- Fiduciary funds – The District is the trustee, or fiduciary, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Table I
Wink-Loving Independent School District
Net Position

	August 31,	
	2016	2015
Cash and Temporary Investments	\$ 14,928,932	\$ 15,297,455
Receivables and Inventories	1,212,879	1,054,256
Capital Assets, Net of Accumulated Depreciation	37,372,835	36,425,106
Total Assets	<u>\$ 53,514,646</u>	<u>\$ 52,776,817</u>
Deferred Outflows of Resources	<u>\$ 596,990</u>	<u>\$ 75,085</u>
Current Liabilities	\$ 2,347,586	\$ 1,483,028
Unearned Revenues	402,532	2,493,400
Long-Term Liabilities	23,191,696	25,236,616
Total Liabilities	<u>\$ 25,941,814</u>	<u>\$ 29,213,044</u>
Deferred Inflows of Resources	<u>\$ 85,901</u>	<u>\$ 158,536</u>
Net Position		
Net Investment in Capital Assets	\$ 15,334,598	\$ 11,708,556
Restricted for Debt Service	5,496,100	4,396,097
Restricted for Capital Projects		2,197,552
Unrestricted Net Position	7,253,223	5,178,117
Total Net Position	<u><u>\$ 28,083,921</u></u>	<u><u>\$ 23,480,322</u></u>

Changes in Net Position

The District's net position increased during the year ended August 31, 2016, by \$4,603,599 (see Table II). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$2,075,106 from \$5,178,117 in 2015 to \$7,253,223 in 2016.

Table II
Wink-Loving Independent School District
Changes in Net Position

	August 31,	
	2016	2015
Revenues:		
Program Revenues:		
Charges For Services	\$ 151,821	\$ 178,948
Operating Grants and Contributions	563,438	453,798
General Revenues:		
Maintenance and Operations Taxes	18,686,698	20,451,470
Debt Service Taxes	5,018,285	5,490,180
State Aid - Formula Grants	2,200,462	156,208
Investment Earnings	50,209	8,227
Miscellaneous	59,063	22,547
Total Revenue	<u>\$ 26,729,976</u>	<u>\$ 26,761,378</u>
Expenses:		
Instruction	\$ 4,102,174	\$ 3,996,603
Instructional Resources and Media Services	89,470	87,254
Curriculum and Instructional Staff Development	38,885	36,696
Instructional Leadership		26,499
School Leadership	445,635	378,474
Guidance, Counseling, and Evaluation Services	86,480	74,464
Health Services	71,205	78,062
Student Transportation	129,903	124,838
Food Services	484,193	445,171
Co-curricular / Extracurricular Activities	805,664	773,889
General Administration	1,705,150	1,185,309
Plant Maintenance and Operations	1,635,741	1,303,896
Community Services		494,095
Debt Service - Interest and Fees	499,643	132,297
Contracted Instructional Services Between Schools	11,524,925	10,612,065
Payments to Shared Service Arrangements	112,056	111,293
Other Intergovernmental Charges	395,253	411,537
	<u>\$ 22,126,377</u>	<u>\$ 20,272,442</u>
Increase in Net Position	<u>\$ 4,603,599</u>	<u>\$ 6,488,936</u>

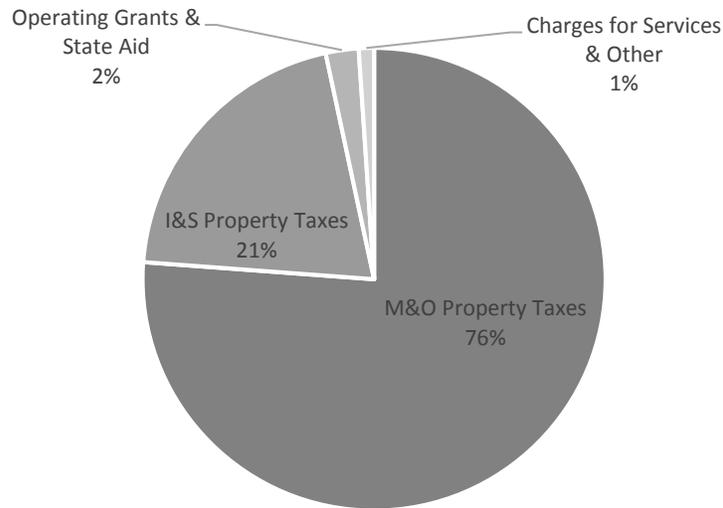
The District's total revenues decreased slightly from \$26,761,378 in fiscal year 2015 to \$26,729,976 in fiscal year 2016, a decrease of \$31,402. The total expenses of the District increased by \$1,853,935 from \$20,272,442 to \$22,126,377. This increase is mainly due to the increase in recapture payments made.

Other factors impacting the District’s financial position include the following:

- The District’s appraised valuation of taxable property decreased from \$1,954,533,598 to \$1,783,499,206, a decrease of 8.8%. The total school property taxes assessed for school year 2016 were \$23,542,190. This is a decrease of \$2,257,653 from the \$25,799,843 assessed in 2015.
- Total tax collections for 2016 were \$23,301,970 (99.0% of the current year levy). The tax collections for 2015 were \$25,310,144 (98.1% of that year’s levy).

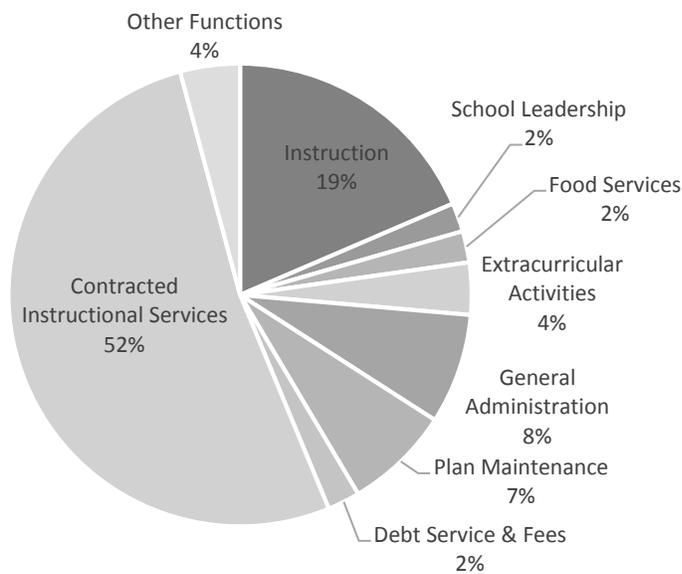
Sources of Revenue for the 2015-16 year consisted of the following:

Sources of Revenue



Expenses by function are as follows:

Expenses by Function



Fund Balances

The District's total Governmental Funds fund balance is \$12,121,958. This fund balance is reported in the various Governmental funds as follows:

General Fund: \$6,872,881 – Of this balance, \$2,900,000 is committed for future construction and equipment purchases and other expenditures. This balance is available for current spending; however, it has been the practice of the District to try and maintain a fund balance that is at least several months operating expenses. The balance in the General Fund in 2015 was \$5,405,472.

Debt Service Fund: \$5,249,077 – This balance is restricted for extinguishing of long-term debt. The fund balance restricted for Debt Service in 2015 was \$3,437,191.

Capital Projects Fund: \$0 – This balance represented unspent bond proceeds and is restricted for capital expenditures related to the bond issuance. As of August 31, 2016, all bond proceeds have been spent. The fund balance restricted for Capital Projects in 2015 was \$2,197,552.

Table III
Wink-Loving Independent School District
Governmental Funds - Fund Balances

	General Fund	Other Funds	Totals
Restricted for:			
Retirement of Long-Term Debt	\$	\$ 5,249,077	\$ 5,249,077
Committed for:			
Construction - District Housing	1,900,000		1,900,000
Construction - Other	400,000		400,000
Capital Expenditures for Equipment	600,000		600,000
Unassigned	3,972,881		3,972,881
Total Fund Balances	\$ 6,872,881	\$ 5,249,077	\$ 12,121,958

Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2016, the District has \$37,372,835 of capital assets, net of accumulated depreciation. Financial statement Footnote No. 6 discloses the capital asset activity of the District for the year ended August 31, 2016.

Debt

At August 31, 2016, the District's long-term debt included \$21,265,000 in bonds payable, \$749,053 in unamortized bond premiums, \$731 in capital leases payable, \$1,154,452 in net pension liability, and \$22,460 in accrued leave liability. The funding for the payment of liabilities come from operating revenues. Interest and Sinking property taxes will assist in making bond payments. Financial statement Footnote No. 8 discloses the debt activity of the District for the year ended August 31, 2016.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District's elected and appointed officials considered many factors when setting the 2016-2017 fiscal year budget and tax rates. Among the factors considered is the economy, the District's population growth during the past few years, employment issues, property values, decisions before the Texas Legislature concerning state funding, and available grants from various agencies.

In the 2016-2017 budget, amounts available for appropriation in the General Fund budget are \$20,186,100, an increase of 5.2% over the adopted 2015-2016 budget of \$19,183,703. The District will use its revenue to finance programs currently offered. Conversely, budgeted expenditures of \$19,185,922 are expected to increase about 3.8% as compared to the adopted 2015-2016 budget of \$18,488,592. Most of this increase in expected revenue and expenditures are due to expected increases in property taxes received and resulting recapture paid to the state. For normal district operations, the District has added no new major programs or initiatives to the 2016-2017 budget.

The District set a debt service tax rate beginning in 2012-2013. Budgeted revenues for 2016-2017 are \$4,298,085. This is unchanged from the adopted 2015-2016 budget. These revenues will be used to service debt noted above and shown in financial statement Footnote No. 8.

The property values of the District remain volatile due to the oil and gas activity in Winkler and Loving Counties. The taxes assessed on these property values affects the amount of money received from the state as well as the amount of recapture the District must pay in a year.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase modestly or remain unchanged by the close of the 2016-2017 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Wink-Loving Independent School District, P.O. Box 637, Wink, Texas 79789.

BASIC FINANCIAL STATEMENTS

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION
AUGUST 31, 2016

<u>Data Control Codes</u>		<u>Primary Government Governmental Activities</u>
ASSETS AND OTHER DEBITS:		
1110	Cash and Temporary Investments	\$ 14,928,932
1220	Property Taxes - Delinquent	1,226,367
1230	Allowance for Uncollectible Taxes	(30,820)
1240	Due from Other Governments	5,208
1250	Accrued Interest	4,709
1290	Other Receivables	7,415
	Capital Assets:	
1510	Land	72,208
1520	Buildings, Net	35,950,559
1530	Vehicles and Equipment, Net	836,808
1550	Leased Property Under Capital Lease, Net	449
1580	Construction in Progress	512,811
		<hr/>
1000	Total Assets	\$ 53,514,646
DEFERRED OUTFLOWS OF RESOURCES:		
1705	Deferred Outflows Related to Pension Liability	\$ 596,990
	Total Deferred Outflows of Resources	\$ 596,990
LIABILITIES:		
2110	Accounts Payable	\$ 412,307
2141	Accrued Interest Payable	23,453
2160	Accrued Wages Payable	197,102
2180	Due to Other Governments	1,714,724
2300	Unearned Revenue	402,532
	Noncurrent Liabilities:	
2501	Due Within One Year	2,515,731
2502	Due in More Than One Year	18,750,000
2516	Premium on Issuance of Bonds	749,053
2540	Net Pension Liability	1,154,452
2590	Accrued Leave Liability	22,460
		<hr/>
2000	Total Liabilities	\$ 25,941,814
DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflows Related to Pension Liability	\$ 85,901
	Total Deferred Inflows of Resources	\$ 85,901
NET POSITION:		
3200	Net Investment in Capital Assets	\$ 15,334,598
3850	Restricted for Debt Service	5,496,100
3900	Unrestricted Net Position	7,253,223
		<hr/>
3000	Total Net Position	\$ 28,083,921

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		1	Program Revenues		Net (Expense)
			3	4	Revenue and Changes in Net Position
	Expenses		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
11	Instruction	\$ 4,102,174	\$	\$ 293,833	\$ (3,808,341)
12	Instructional Resources and Media Services	89,470		3,923	(85,547)
13	Curriculum and Staff Development	38,885		1,054	(37,831)
23	School Leadership	445,635		18,471	(427,164)
31	Guidance, Counseling, and Evaluation Services	86,480		3,983	(82,497)
33	Health Services	71,205		3,038	(68,167)
34	Student Transportation	129,903		8,212	(121,691)
35	Food Services	484,193	103,338	102,897	(277,958)
36	Extracurricular Activities	805,664	9,566	31,742	(764,356)
41	General Administration	1,705,150		39,024	(1,666,126)
51	Plant Maintenance and Operations	1,635,741	38,917	53,993	(1,542,831)
72	Debt Service - Interest	498,088		3,268	(494,820)
73	Bond Issuance Costs and Fees	1,555			(1,555)
91	Contracted Instructional Services Between Schools	11,524,925			(11,524,925)
93	Payments to Fiscal Agent/Member Districts	112,056			(112,056)
99	Other Intergovernmental Charges	395,253			(395,253)
TP	Total Primary Government	\$ <u>22,126,377</u>	\$ <u>151,821</u>	\$ <u>563,438</u>	\$ <u>(21,411,118)</u>
	Data Control Codes	General Revenues:			
	MT				\$ 18,686,698
	DT				5,018,285
	SF				2,200,462
	IE				50,209
	MI				59,063
	TR				\$ <u>26,014,717</u>
	CN				\$ 4,603,599
	NB				<u>23,480,322</u>
	NE				\$ <u>28,083,921</u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	Major Funds		Nonmajor Governmental Funds	98 Total Governmental Funds	
	10 General Fund	50 Debt Service Fund			
ASSETS AND OTHER DEBITS:					
1110	Cash and Temporary Investments	\$ 9,443,358	\$ 5,249,077	\$ 16,045	\$ 14,708,480
1220	Property Taxes - Delinquent	978,670	247,697		1,226,367
1230	Allowance for Uncollectible Taxes	(30,146)	(674)		(30,820)
1240	Due from Other Governments			5,208	5,208
1250	Accrued Interest	4,709			4,709
1260	Due from Other Funds	863			863
1000	Total Assets	<u>\$ 10,397,454</u>	<u>\$ 5,496,100</u>	<u>\$ 21,253</u>	<u>\$ 15,914,807</u>
LIABILITIES:					
2110	Accounts Payable	\$ 263,781	\$	\$ 18,300	\$ 282,081
2160	Accrued Wages Payable	197,102			197,102
2170	Due to Other Funds			863	863
2180	Due to Other Governments	1,712,648		2,076	1,714,724
2300	Unearned Revenues	402,518		14	402,532
2000	Total Liabilities	<u>\$ 2,576,049</u>	<u>\$ 0</u>	<u>\$ 21,253</u>	<u>\$ 2,597,302</u>
DEFERRED INFLOWS OF RESOURCES:					
2601	Unavailable Revenue - Property Taxes	\$ 948,524	\$ 247,023	\$	\$ 1,195,547
2600	Total Deferred Inflows	<u>\$ 948,524</u>	<u>\$ 247,023</u>	<u>\$ 0</u>	<u>\$ 1,195,547</u>
FUND BALANCES:					
Restricted for:					
3480	Retirement of Long-Term Debt	\$	\$ 5,249,077	\$	\$ 5,249,077
Committed for:					
3510	Construction	2,300,000			2,300,000
3530	Capital Expenditures for Equipment	600,000			600,000
3600	Unassigned	3,972,881			3,972,881
3000	Total Fund Balances	<u>\$ 6,872,881</u>	<u>\$ 5,249,077</u>	<u>\$ 0</u>	<u>\$ 12,121,958</u>
4000	Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 10,397,454</u>	<u>\$ 5,496,100</u>	<u>\$ 21,253</u>	<u>\$ 15,914,807</u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
AUGUST 31, 2016

Data
Control
Codes

	Total Fund Balances - Governmental Funds (Exhibit C-1)	\$	12,121,958
1	The District uses internal service funds to charge the costs of certain activities, such as workers compensation, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. The net effect of this consolidation is to increase net position.		97,641
2	General capital assets are not financial resources and are not reported in the fund financial statements. This amount is the cost, net of accumulated depreciation, of the District's general capital assets.		37,372,835
3	Long-term liabilities (e.g., bonds, capital leases, compensated absences, etc.) do not require current financial resources and are not reported in the funds. This amount is the District's total long-term liabilities.		(21,265,731)
4	Governmental funds report the effect of debt premiums, discounts, and similar items when the debt is issued; these amounts are recorded as an asset in the Statement of Net Position and amortized over the life of the related debt. This amount is the net effect of these differences.		(749,053)
5	A liability for accrued interest on long-term debt is not recognized on the fund financial statement, but it is included on the government-wide financial statement. The net effect of including this liability is to decrease net position.		(23,453)
6	A liability for vacation leave is not recognized on the fund financial statement, but it is included on the government-wide financial statement. The net effect of including this liability is to decrease net position.		(22,460)
8	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liabilities required by GASB No. 68 in the amount of (\$1,154,452), a deferred resource inflow related to pension liability of (\$85,901), and a deferred resource outflow related to pension liability of \$596,990. This amounted to a decrease in net position.		(643,363)
9	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net position.		<u>1,195,547</u>
19	Total Net Position of Governmental Activities (Exhibit A-1)	\$	<u><u>28,083,921</u></u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

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

Data Control Codes	Major Funds		Nonmajor Governmental Funds	98 Total Governmental Funds	
	10 General Fund	50 Debt Service Fund			
Revenues:					
5700	Local and Intermediate Sources	\$ 18,655,499	\$ 4,977,723	\$ 103,339	\$ 23,736,561
5800	State Program Revenues	2,425,509	3,268	37,019	2,465,796
5900	Federal Program Revenues			162,756	162,756
5020	Total Revenues	\$ 21,081,008	\$ 4,980,991	\$ 303,114	\$ 26,365,113
Expenditures:					
0011	Instruction	\$ 3,235,240	\$	\$ 164,640	\$ 3,399,880
0012	Instructional Resources and Media Services	71,240			71,240
0013	Curriculum and Staff Development	31,724			31,724
0023	School Leadership	356,317			356,317
0031	Guidance, Counseling, and Evaluation Services	68,548			68,548
0033	Health Services	56,885			56,885
0034	Student Transportation	206,174			206,174
0035	Food Services	542		389,182	389,724
0036	Extracurricular Activities	646,328			646,328
0041	General Administration	779,608			779,608
0051	Plant Maintenance and Operations	1,323,206			1,323,206
0071	Debt Service - Principal	8,219	2,440,000		2,448,219
0072	Debt Service - Interest	631	727,550		728,181
0073	Debt Service - Bond Issuance Cost and Fees		1,555		1,555
0081	Facilities Acquisition and Construction	158,000		2,134,547	2,292,547
0091	Contracted Instructional Services Between Schools	11,524,925			11,524,925
0093	Payments to Fiscal Agent/Member Districts	112,056			112,056
0099	Other Intergovernmental Charges	395,253			395,253
6030	Total Expenditures	\$ 18,974,896	\$ 3,169,105	\$ 2,688,369	\$ 24,832,370
1100	Excess (Deficiency) of Revenues Under Expenditures	\$ 2,106,112	\$ 1,811,886	\$ (2,385,255)	\$ 1,532,743
Other Financing Sources (Uses):					
7912	Proceeds from Sale of Capital Assets	\$ 24,000	\$	\$	\$ 24,000
7915	Transfers In			187,703	187,703
8911	Transfers Out (Use)	(662,703)			(662,703)
7080	Total Other Financing Sources (Uses)	\$ (638,703)	\$ 0	\$ 187,703	\$ (451,000)
1200	Net Change in Fund Balance	\$ 1,467,409	\$ 1,811,886	\$ (2,197,552)	\$ 1,081,743
0100	September 1 - Fund Balance	5,405,472	3,437,191	2,197,552	11,040,215
3000	August 31 - Fund Balance	\$ 6,872,881	\$ 5,249,077	\$ 0	\$ 12,121,958

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

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

Net Change in Fund Balance - Total Governmental Funds (Exhibit C-3)	\$ 1,081,743
Amounts reported for governmental activities in the Statement of Activities (Exhibit B-1) are different because:	
Internal service funds are used by management to charge the costs of certain activities, such as workers compensation, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit D-2).	(304,834)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,011,077
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	236,641
Loss on sale of fixed assets is not recognized on the fund financial statement, but it is included on the government-wide financial statement. The effect of including this loss is to decrease the change in net position.	(63,347)
A liability for accrued interest on long-term debt is not recognized on the fund financial statement, but it is included on the government-wide financial statement. The net effect of including the change in this liability is to decrease the change in net position.	2,859
A liability for vacation leave is not recognized on the fund financial statement, but it is included on the government-wide financial statement. The net effect of including the change in this liability is to increase the change in net position.	5,665
Repayment of the bonds and other long-term debt principal of \$2,448,219 is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. In addition, amortizations of bond premiums amounted to \$227,234.	2,675,453
The implementation of GASB No. 68 required the recognition of certain expenditures related to the recognition of the net pension liability as well as de-expending certain expenditures related to contributions made after the measurement date of August 31, 2015 and recorded as a deferred resource outflow. The net result of this activity causes a decrease to the change in net position.	<u>(41,658)</u>
Change in Net Position of Governmental Activities (Exhibit B-1)	\$ <u><u>4,603,599</u></u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET POSITION
PROPRIETARY FUND
AUGUST 31, 2016

	<u>Governmental Activities</u> <u>Internal</u> <u>Service Fund</u>
ASSETS:	
Cash and Temporary Investments	\$ 220,452
Other Receivables	<u>7,415</u>
Total Assets	\$ <u>227,867</u>
LIABILITIES:	
Accounts Payable	\$ <u>130,226</u>
NET POSITION:	
Unrestricted Net Position	\$ <u><u>97,641</u></u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities
	<u>Internal Service Fund</u>
OPERATING REVENUES:	
Employer Contributions	\$ 475,000
Employee Contributions	509,988
Other Local and Intermediate Sources	<u>38</u>
	\$ <u>985,026</u>
OPERATING EXPENSES:	
Fixed Costs and Insurance Expense	\$ 379,412
Claims Paid (Less Stop Loss Reimbursements of \$39,085)	<u>910,448</u>
	\$ <u>1,289,860</u>
Change in Net Position	\$ (304,834)
Net Position - September 1 (Beginning)	<u>402,475</u>
Net Position - August 31 (Ending)	\$ <u><u>97,641</u></u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities	
Cash Receipts from Charges to Other Funds	\$ 475,000
Cash Receipts from Employees	592,884
Other Cash Receipts	38
Cash Payments to Suppliers for Services	<u>(1,222,976)</u>
Net Cash Used in Operating Activities	\$ <u>(155,054)</u>
Net Decrease in Cash and Cash Equivalents	\$ (155,054)
Cash and Cash Equivalents at Beginning of the Year	<u>375,506</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>220,452</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (304,834)
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	82,896
Increase in Accounts Payable	<u>66,884</u>
Net Cash Used in Operating Activities	\$ <u><u>(155,054)</u></u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
AUGUST 31, 2016

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and Temporary Investments	\$	\$ 28,804
Restricted Assets	<u>41,820</u>	<u> </u>
Total Assets	<u>\$ 41,820</u>	<u>\$ 28,804</u>
LIABILITIES:		
Accounts Payable	\$	\$ 1,563
Due to Student Groups	<u> </u>	<u>27,241</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 28,804</u>
NET POSITION:		
Restricted Net Position	<u>\$ 41,820</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUND
AUGUST 31, 2016

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Interest Income	\$ <u>575</u>
Total Additions	\$ <u>575</u>
DEDUCTIONS:	
Other Operating Costs	\$ <u>1,000</u>
Total Deductions	\$ <u>1,000</u>
Change in Net Position	\$ (425)
Net Position - September 1 (Beginning)	<u>42,245</u>
Net Position - August 31 (Ending)	<u><u>41,820</u></u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wink-Loving Independent School District's (the District) basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of School Trustees (the Board), a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board of School Trustees is elected by the public. The Board has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (the Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined in governmental accounting and financial reporting standards. There are no component units included within the reporting entity.

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

B. BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, state foundation funds, grants, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (i.e., internal service funds are considered governmental activities and not business-type activities). The District currently has no business-type activities.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are charged to expense.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operation, they are not included in the government-wide statements. Major governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Revenues from local sources consist primarily of property taxes. No amounts have been recorded for property tax revenues collected after August 31, 2016. State revenues 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 generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

In the fund financial statements, governmental fund types recognize bond issue costs in the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The proprietary fund and the fiduciary fund financial statements were reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

Propriety funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a propriety fund's principal ongoing operations, they usually come from exchange or exchange-like transactions. All other revenues are non-operating.

GOVERNMENTAL FUND TYPES

The District reports the following major governmental funds:

General Fund – This fund is established to account for resources used for general operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund and unassigned fund balances are considered resources available for current operations.

Debt Service Fund – This fund is used to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which tax has been dedicated. This is a budgeted fund, and any unused sinking fund balances will be transferred to the general fund after all of the related debt obligations have been met.

Additionally, the government reports the following governmental fund types:

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specified project periods.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds. The District's food service fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The general fund subsidizes the food service program for all expenditures in excess of NSLP, and (3) The District does not consider the food service program completely self-supporting.

Capital Projects Fund – This governmental fund is established to account for proceeds, on a modified accrual basis, from the sale of bonds and other resources to be used for the Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the debt service fund and are used to retire related bond principal.

PROPRIETARY FUND TYPES

Internal Service Funds – Internal service funds are used to account for revenues and expenses related to services provided to parties inside the District, specifically for the operation of the District's partially self-funded insurance plans for workers' compensation and medical insurance on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Private Purpose Trust Fund – The District accounts for donations for which the donor has stipulated may be used for purposes that benefit parties outside the District. The District's Private Purpose trust fund is a scholarship fund, with annual scholarships to be awarded to past students of the District in accordance with donor stipulations.

Agency Funds – These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of School Trustees. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

Capital assets, which include buildings and improvements, furniture and equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the District to refund all or part of the unused amount.

Supplies and materials are debited as expenditures when purchased.

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. The vacation leave is paid upon termination and, therefore, is recognized as a liability on the Statement of Net Position. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR. Mandatory codes are utilized in the form provided in that section.

D. BUDGETARY DATA

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund, debt service fund, and the food service special revenue fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year.

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

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. 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. At least 10 days public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, and they are reflected in the official minutes of the Board. During the year, several amendments were necessary. The District ended the year with expenditures exceeding the budget in function 91 related to recapture payments required by the state.

E. ENCUMBRANCE ACCOUNTING

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2016.

F. FUND EQUITY

The District defines fund balances classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of restrictions by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Board of School Trustees, the highest level of decision making authority.

Assigned – Amounts that can be used for a specific purpose as expressed by the authorized administrator, the Superintendent.

Unassigned – Amounts not included in other spendable classifications.

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

G. NET POSITION ON THE STATEMENT OF NET POSITION

Net position on the Statement of Net Position includes the following:

Net Investment in Capital Assets – this component of net position represents the difference between capital assets less accumulated depreciation and the outstanding balance of debt, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service – this component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Unrestricted – the difference between assets and liabilities that is not reported in Net Investment in Capital Assets or Net Position Restricted for Debt Service.

H. 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's 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.

I. CASH AND CASH EQUIVALENTS – PROPRIETARY FUNDS

For purposes of the Statement of Cash Flows for proprietary fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

J. MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

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

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does not address the following risks:

- a. **Custodial Credit Risk – Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk because its deposits are all covered by depository insurance and pledged securities held by a third party in the District's name.
- b. **Concentration of Credit Risk –** The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2016, all of the District's investments are in external investment pools, and as such the District has no risk.
- c. **Credit Risk –** The risk that an issuer of 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 August 31, 2016, the District was not significantly exposed to credit risk.
- d. **Interest Rate Risk –** Not applicable
- e. **Foreign Currency Risk –** Not applicable

Public Funds Investment Pools

Public Funds Investment Pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) Have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) Maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and, 3) Maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The carrying amount of the District’s cash and temporary investments at August 31, 2016, approximates fair value and consisted of the following shown below:

	General Fund	Debt Service Fund	Other Funds	Internal Service Funds	Total
Cash in Bank	\$ 407,986	\$ 137,335	\$ 16,045	\$ 220,452	\$ 781,818
TexPool Investments	<u>9,035,372</u>	<u>5,111,742</u>			<u>14,147,114</u>
	<u>\$ 9,443,358</u>	<u>\$ 5,249,077</u>	<u>\$ 16,045</u>	<u>\$ 220,452</u>	<u>\$ 14,928,932</u>
Fiduciary Fund Cash in Bank					<u>28,804</u>
Total Cash and Temporary Investments					<u>\$ 14,957,736</u>

3. 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 located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. All property taxes remaining uncollected after ten years are provided for in the allowance for uncollectible 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.

4. DUE TO OTHER GOVERNMENTS

Amounts due to other governments include \$1,712,648 due to the state for Chapter 41 property tax recapture amounts owed as of August 31, 2016.

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2016, consisted of the following individual fund receivables and payables:

	Due from Other Funds	Due to Other Funds
General Fund		
Special Revenue Funds	\$ <u>863</u>	\$ <u>0</u>
Special Revenue Funds		
General Fund	\$ <u>0</u>	\$ <u>863</u>
	<u>\$ 863</u>	<u>\$ 863</u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

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

	<u>9/1/2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>8/31/2016</u>
Capital Assets:					
Land	\$ 69,208	\$ 3,000	\$	\$	\$ 72,208
Building	39,763,115	498,143	(113,421)	7,684,120	47,831,957
Equipment/Vehicles	2,431,930	366,798	(307,005)		2,491,723
Leased Equipment	41,488				41,488
Construction Work In Progress	6,431,463	1,765,468		(7,684,120)	512,811
	<u>\$ 48,737,204</u>	<u>\$ 2,633,409</u>	<u>\$ (420,426)</u>	<u>\$ 0</u>	<u>\$ 50,950,187</u>
Accumulated Depreciation:					
Buildings	\$ 10,557,807	\$ 1,394,069	\$ (70,478)	\$	\$ 11,881,398
Equipment/Vehicles	1,718,656	222,859	(286,600)		1,654,915
Leased Equipment	35,635	5,404			41,039
	<u>\$ 12,312,098</u>	<u>\$ 1,622,332</u>	<u>\$ (357,078)</u>	<u>\$ 0</u>	<u>\$ 13,577,352</u>
Total Net Value of Capital Assets	<u><u>\$ 36,425,106</u></u>	<u><u>\$ 1,011,077</u></u>	<u><u>\$ (63,348)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 37,372,835</u></u>

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

Buildings and Improvements	15 – 30 years
Furniture and Equipment	5 – 20 years
Vehicles	5 – 10 years

Depreciation expense and loss on sale of fixed assets, net of \$31,128 salvage, was charged to functions of the primary government as follows:

	<u>Depreciation</u>	<u>Net Loss</u>
Instruction	\$ 752,526	\$ 14,947
Instructional Resources and Media Services	15,768	313
Curriculum and Instructional Staff Development	7,022	139
School Leadership	78,867	1,566
Guidance, Counseling, and Evaluation Services	15,172	301
Health Services	12,591	250
Student Transportation	45,634	906
Food Services	86,261	1,713
Extracurricular Activities	143,057	2,841
General Administration	172,557	3,427
Plant Maintenance and Operations	292,877	5,816
	<u><u>\$ 1,622,332</u></u>	<u><u>\$ 32,219</u></u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

7. UNAVAILABLE REVENUE AND UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unavailable and unearned revenues consisted of the following at August 31, 2016:

	General Fund	Debt Service Fund	Other Funds	Total
State Foundation Overpayment	\$ 402,518	\$	\$	\$ 402,518
Unspent Grant Proceeds			14	14
Total Unearned Revenue (Exhibits A-1 and C-1)	\$ 402,518	\$ 0	\$ 14	\$ 402,532
Property Taxes - Delinquent	\$ 978,670	\$ 247,697	\$	\$ 1,226,367
Less: Allowance for Uncollectible Taxes	30,146	674		30,820
Total Unavailable Tax Revenues (Exhibit C-1)	\$ 948,524	\$ 247,023	\$ 0	\$ 1,195,547

8. LONG-TERM LIABILITIES

Bonds Payable

A summary of changes in bonds payable for the year ended August 31, 2016, is as follows:

Description	Interest Rates	Amounts Originally Issued	Amounts Outstanding 9/1/2015	Increases Current Year	Retired Current Year	Amount Outstanding 8/31/2016
2012 Unlimited Tax School Building Bonds	2.0% - 4.0%	\$ 16,560,000	\$ 9,560,000	\$	\$ 1,455,000	\$ 8,105,000
2013 Unlimited Tax School Building Bonds	2.0% - 3.5%	9,365,000	8,850,000		525,000	8,325,000
2015 Unlimited Tax School Building Bonds	2.0% - 3.25%	5,295,000	5,295,000		460,000	4,835,000
Total Unlimited Tax Bonds		\$ 31,220,000	\$ 23,705,000	\$ 0	\$ 2,440,000	\$ 21,265,000

In July and August 2012, the District issued \$16,560,000 in Unlimited Tax School Building Bonds with interest rates of 2.0% - 4.0% for capital improvements.

In September 2013, the District issued \$9,365,000 in Unlimited Tax School Building Bonds with interest rates of 2.0% - 3.5% for capital improvements.

In May 2015, the District issued \$5,295,000 in Unlimited Tax School Building Bonds with interest rates of 2.0% - 3.25% for capital improvements.

Interest expenditures for bonded debt for the year ended August 31, 2016 totaled \$727,550. Accrued interest payable at year end amounted to \$23,453 and is shown as a payable on the Statement of Net Position. As of August 31, 2016 the balance of the Unamortized Bond Premium is \$749,053.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Debt service requirements are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2017	\$ 2,515,000	\$ 658,225	\$ 3,173,225
2018	2,595,000	579,250	3,174,250
2019	2,685,000	488,363	3,173,363
2020	2,780,000	392,737	3,172,737
2021	2,880,000	292,100	3,172,100
2022-2025	7,810,000	349,438	8,159,438
	<u>\$ 21,265,000</u>	<u>\$ 2,760,113</u>	<u>\$ 24,025,113</u>

Subsequent to August 31, 2016 the District issued refunding bonds in the amount of \$6,205,000 to refinance the remainder of the 2012 Unlimited Tax School Building Bonds after the 2016-17 principal payments.

Accrued Leave Liability

A liability related to the unused vacation leave that is paid upon termination is recorded as a long-term liability on the Statement of Net Position. At August 31, 2016, this amounted to \$22,460.

Obligations under Capital Lease

A summary of the activity for the District's capital lease obligations is as follows:

Description	Date of Issue	Amounts Originally Issued	Amounts Outstanding 9/1/2015	Increases Current Year	Retired Current Year	Amount Outstanding 8/31/2016
Copier Lease	2012	\$ <u>22,716</u>	\$ <u>8,950</u>	\$ <u>0</u>	\$ <u>8,219</u>	\$ <u>731</u>

The copier lease outstanding at August 31, 2016 has a stated interest rate of 12% over 60 months. These assets can be purchased at a bargain purchase option by the District at the end of the lease period.

Future minimum payments for these leases are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2017	\$ <u>731</u>	\$ <u>8</u>	\$ <u>739</u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

9. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes, Penalties, Interest, and Other Tax-Related Income	\$ 18,505,292	\$	\$ 4,963,050	\$ 23,468,342
Food Sales		103,339		103,339
Interest Income	35,536		14,673	50,209
Co-curricular Student Activities	9,566			9,566
Rental Income	38,917			38,917
Other	66,188			66,188
	<u>\$ 18,655,499</u>	<u>\$ 103,339</u>	<u>\$ 4,977,723</u>	<u>\$ 23,736,561</u>

10. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

Net Pension Liability	Total
Total Pension Liability	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	(128,538,706,212)
Net Pension Liability	<u>\$ 35,348,668,960</u>
Net Position as Percentage of Total Pension Liability	78.43%

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 five 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 five years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS's 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 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, GAA established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.70%	7.20%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
2015 Employer Contributions	\$	96,704
2015 Member Contributions		245,605
2015 NECE On-Behalf Contributions		209,826

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).

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers including public 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 source or a privately sponsored source.

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

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

Actuarial Assumptions

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

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry, Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

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

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension liability was eight percent. 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 eight percent. 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:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18.00%	4.60%	1.00%
Non-U.S. Developed	13.00%	5.10%	0.80%
Emerging Markets	9.00%	5.90%	0.70%
Directional Hedge Funds	4.00%	3.20%	0.10%
Private Equity	13.00%	7.00%	1.10%
Stable Value			
U.S. Treasuries	11.00%	0.70%	0.10%
Absolute Return	0.00%	1.80%	0.00%
Hedge Funds (Stable Value)	4.00%	3.00%	0.10%
Cash	1.00%	-0.20%	0.00%
Real Return			
Global Inflation-Linked Bonds	3.00%	0.90%	0.00%
Real Assets	16.00%	5.10%	1.10%
Energy and Natural Resources	3.00%	6.60%	0.20%
Commodities	0.00%	1.20%	0.00%
Risk Parity			
Risk Parity	5.00%	6.70%	0.30%
Inflation Expectation			2.20%
Alpha			1.00%
Total	100.00%		8.70%

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

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's Proportionate Share of the Net Pension Liability	\$ 1,808,809	\$ 1,154,452	\$ 609,414

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

At August 31, 2016, the District reported a liability of \$1,154,452 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	\$ 1,154,452
State's Proportionate Share that is Associated with the District	<u>2,504,147</u>
Total	<u>\$ 3,658,599</u>

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

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.003266% which was an increase of 0.001326% from its proportion measured as of August 31, 2014.

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

Economic Assumptions

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

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

For the year ended August 31, 2016, the District recognized pension expense of \$221,451 and revenue of \$221,451 for support provided by the State.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 6,666	\$ 44,367
Changes in Actuarial Assumptions	28,016	41,186
Difference Between Projected and Actual Investment Earnings	165,516	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	302,966	348
Contributions Paid to TRS Subsequent to the Measurement Date	93,826	
Total	<u>\$ 596,990</u>	<u>\$ 85,901</u>

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

	Pension Expense Amount
2016	\$ 75,268
2017	75,268
2018	75,268
2019	114,868
2020	43,373
Thereafter	33,218

11. SELF-INSURANCE – WORKMEN'S COMPENSATION

The District participates in a public entity risk pool for Workmen's Compensation Insurance. Over 100 school districts participate in the pool administered by Claims Administrative Services, Inc. The agreement between the District and the pool is renewable annually on September 1. The District's maximum loss under the agreement for 2016 was set at \$54,315, excluding fixed costs of \$14,878. The pool is protected against unanticipated catastrophic loss by stop-loss coverage provided through Midwest Employers Casualty Corporation. The stop-loss policy covers individual claims in excess of \$1,000,000 per incident. The District accounts for its costs associated with the pool through an internal service fund.

The claims administrator for the pool has estimated the District's share of unpaid claims as of August 31, 2016, to be \$31,124, including estimated claims incurred but not reported of \$15,037. The District has not recorded any claims payable as of August 31, 2016.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

12. SELF-INSURANCE – HEALTH CARE COVERAGE

The District sponsors a health self-insurance plan (the Plan). The District contributes \$435 per month per employee to the plan and the employees, at their option, authorize payroll withholdings to pay premiums for dependents' health insurance coverage. A third party administrator acting on behalf of the District processes health claim payments.

Claims incurred are subject to an individual stop-loss of \$35,000 per participant annually. Individual employee health claims are self-insured by the District up to \$35,000 annually and International Insurance Agency provides stop-loss benefits above \$35,000 and an aggregate district-wide attachment point of \$872,730. At August 31, 2016, the District has recorded current health claim short term liabilities of \$130,226 in the Internal Service Fund representing claims reported by not paid and incurred but not reported through the run-out period.

These liabilities are based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated. The District does not provide any post-retirement health benefits to employees.

Changes to the medical liability amounts for the two previous years are as follows:

	Year Ended August 31,	
	2016	2015
Unpaid Claims, Beginning of Year	\$ 63,342	\$ 101,090
Incurred Claims (Including IBNR)	923,399	569,803
Claim Payments	(856,515)	(607,551)
Unpaid Claims, End of Year	\$ 130,226	\$ 63,342

Beginning September 1, 2016 the District has discontinued the self-insured medical plan and enrolled in a Blue Cross/Blue Shield plan. Therefore, the liability recognized at August 31, 2016 is the estimated terminal liability for the current plan run out in the 2016-17 fiscal year.

In addition, payments made on behalf of the District by the state for Medicare, Part D fringe benefits and salaries amounted to \$12,203 and \$11,460 for the years ended August 31, 2016 and 2015, respectively.

13. COMMITMENTS AND CONTINGENCIES

Federal and State Funding

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

14. LITIGATION

There is no litigation pending against the District which would have a material effect on the financial statements.

15. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through November 1, 2016, the date which the financial statements were available for issue.

As referenced in Note 8, refunding bonds were issued and funded on September 8, 2016 in the amount of \$6,205,000 to refinance the remainder of the 2012 Unlimited Tax School Building Bonds after the 2016-17 principal payments.

As referenced in Note 12, beginning September 1, 2016 the District terminated the self-insurance fund and enrolled in a Blue Cross/Blue Shield plan for health insurance.

REQUIRED SUPPLEMENTARY INFORMATION

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

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

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended	Actual		
Revenues:					
5700	Local and Intermediate Sources	\$ 16,109,460	\$ 16,109,460	\$ 18,655,499	\$ 2,546,039
5800	State Program Revenues	3,072,243	3,075,543	2,425,509	(650,034)
5900	Federal Program Revenues	2,000	2,000		(2,000)
5020	Total Revenues	\$ 19,183,703	\$ 19,187,003	\$ 21,081,008	\$ 1,894,005
Expenditures:					
0011	Instruction	\$ 3,577,514	\$ 3,579,414	\$ 3,235,240	\$ 344,174
0012	Instructional Resources and Media Services	98,247	98,247	71,240	27,007
0013	Curriculum and Staff Development	61,200	64,300	31,724	32,576
0021	Instructional Leadership	7,200	7,200		7,200
0023	School Leadership	376,331	385,331	356,317	29,014
0031	Guidance, Counseling, and Evaluation Services	79,488	79,488	68,548	10,940
0033	Health Services	68,887	68,887	56,885	12,002
0034	Student Transportation	369,592	351,892	206,174	145,718
0035	Food Service	9,006	9,006	542	8,464
0036	Extracurricular Activities	791,225	801,225	646,328	154,897
0041	General Administration	757,453	781,653	779,608	2,045
0051	Plant Maintenance and Operations	1,444,671	1,559,671	1,323,206	236,465
0071	Debt Service - Principal	12,000	12,000	8,219	3,781
0072	Debt Service - Interest	4,000	4,000	631	3,369
0081	Facilities Acquisition and Construction	190,500	211,500	158,000	53,500
0091	Contracted Instructional Services Between School Districts	10,103,228	11,503,228	11,524,925	(21,697)
0093	Payments to Fiscal Agent/Member Districts of SSA	126,050	126,050	112,056	13,994
0099	Other Intergovernmental Charges	412,000	412,000	395,253	16,747
6030	Total Expenditures	\$ 18,488,592	\$ 20,055,092	\$ 18,974,896	\$ 1,080,196
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 695,111	\$ (868,089)	\$ 2,106,112	\$ 2,974,201
Other Financing Sources (Uses):					
7912	Proceeds from Sale of Capital Assets	\$	\$	\$ 24,000	\$ 24,000
8911	Transfers Out (Use)	(500,000)	(725,000)	(662,703)	62,297
7080	Total Other Financing Sources (Uses)	\$ (500,000)	\$ (725,000)	\$ (638,703)	\$ 86,297
1200	Net Change in Fund Balance	\$ 195,111	\$ (1,593,089)	\$ 1,467,409	\$ 3,060,498
0100	September 1 - Fund Balance	5,405,472	5,405,472	5,405,472	0
3000	August 31 - Fund Balance	\$ 5,600,583	\$ 3,812,383	\$ 6,872,881	\$ 3,060,498

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2016

	August 31,	
	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability	0.003266%	0.001940%
District's Proportionate Share of Net Pension Liability	\$ 1,154,452	\$ 518,254
State's Proportionate Share of the Net Pension Liability associated with the District	<u>2,504,147</u>	<u>2,301,766</u>
Total	<u>\$ 3,658,599</u>	<u>\$ 2,820,020</u>
District's Covered-Employee Payroll	\$ 3,665,751	\$ 3,896,258
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	31.49%	13.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit G-3

SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2016

	August 31,	
	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 96,704	\$ 49,189
Contribution in Relation to the Contractually Required Contribution	<u>(96,704)</u>	<u>(49,189)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered-Employee Payroll	\$ 3,711,355	\$ 3,665,751
Contributions as a Percentage of Covered-Employee Payroll	2.61%	1.34%

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

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

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

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

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

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

OTHER SUPPLEMENTARY INFORMATION
EXHIBITS H-1 THROUGH J-3

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit H-1

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2016

	Special Revenue Funds					Total Non-Major Governmental Funds
	211 ESEA Title I Part A Improving Basic Programs	240 National Breakfast and Lunch Program	289 Section 201 Training Grant	429 Pre-K Grant Program	60 Capital Projects Fund	
ASSETS:						
Cash and Temporary Investments	\$	\$ 13,447	\$ 2,090	\$	\$ 508	\$ 16,045
Due from Other Governments	<u>355</u>			<u>4,853</u>		<u>5,208</u>
Total Assets	<u>\$ 355</u>	<u>\$ 13,447</u>	<u>\$ 2,090</u>	<u>\$ 4,853</u>	<u>\$ 508</u>	<u>\$ 21,253</u>
LIABILITIES AND FUND BALANCE:						
Liabilities						
Accounts Payable	\$	\$ 13,447	\$	\$ 4,853	\$	\$ 18,300
Due to Other Funds	355				508	863
Due to Other Governments			2,076			2,076
Unearned Revenue			14			14
Total Liabilities	<u>\$ 355</u>	<u>\$ 13,447</u>	<u>\$ 2,090</u>	<u>\$ 4,853</u>	<u>\$ 508</u>	<u>\$ 21,253</u>
Fund Balance	\$	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Liabilities and Fund Balance	<u>\$ 355</u>	<u>\$ 13,447</u>	<u>\$ 2,090</u>	<u>\$ 4,853</u>	<u>\$ 508</u>	<u>\$ 21,253</u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-2

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

	Special Revenue Funds								Total Non-Major Governmental Funds
	211 ESEA I, A Improving Basic Programs	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	270 ESEA VI, B Rural & Low Income	289 Section 201 Training Grant	410 State Textbook Fund	429 Pre-K Grant Program	60 Capital Projects Fund	
REVENUES:									
Local and Intermediate Sources	\$	\$ 103,339	\$	\$	\$	\$	\$	\$	\$ 103,339
State Program Revenues		9,543			2,910	19,713	4,853		37,019
Federal Program Revenues	34,604	88,597	10,014	29,541					162,756
Total Revenues	\$ 34,604	\$ 201,479	\$ 10,014	\$ 29,541	\$ 2,910	\$ 19,713	\$ 4,853	\$ 0	\$ 303,114
EXPENDITURES:									
Instruction	\$ 34,604		\$ 10,014	\$ 29,541	\$ 2,910	\$ 19,713	\$ 4,853	\$ 63,005	\$ 164,640
Food Services		389,182							389,182
Facilities Acquisition and Construction								2,134,547	2,134,547
Total Expenditures	\$ 34,604	\$ 389,182	\$ 10,014	\$ 29,541	\$ 2,910	\$ 19,713	\$ 4,853	\$ 2,197,552	\$ 2,688,369
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ (187,703)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (2,197,552)	\$ (2,385,255)
OTHER FINANCING SOURCES:									
Transfers In	\$	\$ 187,703	\$	\$	\$	\$	\$	\$	\$ 187,703
Total Other Financing Sources	\$ 0	\$ 187,703	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 187,703
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (2,197,552)	\$ (2,197,552)
Fund Balance - September 1 (Beginning)	0	0	0	0	0	0	0	2,197,552	2,197,552
Fund Balance - August 31 (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit H-3

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2016

	Internal Service Funds		Total Internal Service Funds
	753 Self-Insured Medical Insurance	756 Self-Insured Worker's Compensation	
ASSETS:			
Cash and Temporary Investments	\$ 173,745	\$ 46,707	\$ 220,452
Other Receivables	<u>7,415</u>		<u>7,415</u>
Total Assets	<u>\$ 181,160</u>	<u>\$ 46,707</u>	<u>\$ 227,867</u>
LIABILITIES AND NET POSITION:			
Liabilities:			
Accounts Payable	\$ <u>130,226</u>	\$ <u>0</u>	\$ <u>130,226</u>
Total Liabilities	<u>\$ 130,226</u>	<u>\$ 0</u>	<u>\$ 130,226</u>
Net Position:			
Unrestricted Net Position	\$ <u>50,934</u>	\$ <u>46,707</u>	\$ <u>97,641</u>
Total Net Position	<u>\$ 50,934</u>	<u>\$ 46,707</u>	<u>\$ 97,641</u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit H-4

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2016

	Internal Service Funds		Total Internal Service Funds
	753 Self-Insured Medical Insurance	756 Self-Insured Worker's Compensation	
OPERATING REVENUES:			
Employer Contributions	\$ 450,000	\$ 25,000	\$ 475,000
Employee Contributions	509,988		509,988
Other Local and Intermediate Sources	32	6	38
Total Operating Revenues	\$ 960,020	\$ 25,006	\$ 985,026
OPERATING EXPENSES:			
Fixed Costs and Insurance Expense	\$ 364,534	\$ 14,878	\$ 379,412
Claims Paid (Less Stop Loss Reimbursements of \$39,085)	856,515	53,933	910,448
Total Operating Expenses	\$ 1,221,049	\$ 68,811	\$ 1,289,860
Change in Net Position	\$ (261,029)	\$ (43,805)	\$ (304,834)
Net Position - September 1 (Beginning)	311,963	90,512	402,475
Net Position - August 31 (Ending)	\$ 50,934	\$ 46,707	\$ 97,641

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit H-5

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
AUGUST 31, 2016

	Internal Service Funds		
	753	756	
	Self-Insured Medical Insurance	Self-Insured Worker's Compensation	Total Internal Service Funds
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities			
Cash Receipts from Charges to Other Funds	\$ 450,000	\$ 25,000	\$ 475,000
Cash Receipts from Employees	592,884		592,884
Other Cash Receipts	32	6	38
Cash Payments to Suppliers for Services	(1,154,165)	(68,811)	(1,222,976)
Net Cash Used in Operating Activities	\$ (111,249)	\$ (43,805)	\$ (155,054)
Net Decrease in Cash and Cash Equivalents	\$ (111,249)	\$ (43,805)	\$ (155,054)
Cash and Cash Equivalents at Beginning of the Year	284,994	90,512	375,506
Cash and Cash Equivalents at End of Year	\$ 173,745	\$ 46,707	\$ 220,452
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (261,029)	\$ (43,805)	\$ (304,834)
Changes in Assets and Liabilities			
Decrease in Accounts Receivable	82,896		82,896
Increase in Accounts Payable	66,884		66,884
Net Cash Used in Operating Activities	\$ (111,249)	\$ (43,805)	\$ (155,054)

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit J-1

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

Last Ten Years Ended August 31	1		2	3	10	20	31	32	40	50
	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 9/1/2015	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/2016	
	Maintenance	Debt Service								
2007 and Prior Years	Various	Various	Various	\$ 37,402	\$	\$ 3,799	\$ 9	\$ (2,775)	\$ 30,819	
2008	1.04000	0.00000	1,190,890,661	10,056		4,236			5,820	
2009	1.04000	0.00000	1,548,255,786	10,135		4,007			6,128	
2010	1.04000	0.00000	1,334,267,364	7,833		2,595			5,238	
2011	1.04000	0.00000	1,394,595,630	11,978		2,887			9,091	
2012	1.04000	0.00000	1,258,584,519	6,908		2,382		207	4,733	
2013	1.04000	0.28000	1,289,545,705	131,409		4,458	1,200	(178)	125,573	
2014	1.04000	0.28000	1,355,100,378	189,658		8,944	2,408	(109)	178,197	
2015	1.04000	0.28000	1,954,533,598	583,075		271,253	73,029	562	239,355	
2016 (School Year Under Audit)	1.04000	0.28000	1,783,499,206		23,542,190	18,058,783	4,861,980	(14)	621,413	
1000	TOTALS			\$ 988,454	\$ 23,542,190	\$ 18,363,344	\$ 4,938,626	\$ (2,307)	\$ 1,226,367	

Tax Collection Summary:	Gen. Fund (M&O)	Debt Serv. Fund	Total
Base Tax Collections	\$ 18,363,344	\$ 4,938,626	\$ 23,301,970
Penalty and Interest	102,955	22,502	125,457
Total	\$ 18,466,299	\$ 4,961,128	\$ 23,427,427

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

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

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended	Actual		
Revenues:					
5700	Local and Intermediate	\$ 115,000	\$ 115,000	\$ 103,339	\$ (11,661)
5800	State Program Revenues	10,500	10,500	9,543	(957)
5900	Federal Program Revenues	<u>206,687</u>	<u>81,187</u>	<u>88,597</u>	<u>7,410</u>
5020	Total Revenues	\$ <u>332,187</u>	\$ <u>206,687</u>	\$ <u>201,479</u>	\$ <u>(5,208)</u>
Expenditures:					
0035	Food Services	\$ <u>427,529</u>	\$ <u>459,339</u>	\$ <u>389,182</u>	\$ <u>70,157</u>
6030	Total Expenditures	\$ <u>427,529</u>	\$ <u>459,339</u>	\$ <u>389,182</u>	\$ <u>70,157</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>(95,342)</u>	\$ <u>(252,652)</u>	\$ <u>(187,703)</u>	\$ <u>64,949</u>
Other Financing Sources:					
7915	Transfers In	\$ <u>225,000</u>	\$ <u>250,000</u>	\$ <u>187,703</u>	\$ <u>(62,297)</u>
1200	Net Change in Fund Balance	\$ 129,658	\$ (2,652)	\$ 0	\$ 2,652
0100	September 1 - Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
3000	August 31 - Fund Balance	\$ <u><u>129,658</u></u>	\$ <u><u>(2,652)</u></u>	\$ <u><u>0</u></u>	\$ <u><u>2,652</u></u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

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

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)	
	Original	Amended	Actual		
Revenues:					
5700	Local and Intermediate	\$ 4,298,085	\$ 4,298,085	\$ 4,977,723	\$ 679,638
5800	State Program Revenues			3,268	3,268
5020	Total Revenues	\$ 4,298,085	\$ 4,298,085	\$ 4,980,991	\$ 682,906
Expenditures:					
0071	Debt Service - Principal	\$ 2,440,000	\$ 2,440,000	\$ 2,440,000	\$ 0
0072	Debt Service - Interest	727,550	727,550	727,550	0
0073	Debt Service - Fees	1,000	2,000	1,555	445
6030	Total Expenditures	\$ 3,168,550	\$ 3,169,550	\$ 3,169,105	\$ 445
1200	Net Change in Fund Balance	\$ 1,129,535	\$ 1,128,535	\$ 1,811,886	\$ 683,351
0100	September 1 - Fund Balance	3,437,191	3,437,191	3,437,191	0
3000	August 31 - Fund Balance	\$ 4,566,726	\$ 4,565,726	\$ 5,249,077	\$ 683,351

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

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

Independent Auditor's Report

Board of School Trustees
Wink-Loving Independent School District
Wink, Texas

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 Wink-Loving Independent School District (the District) as of and for the year ended August 31, 2016, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

November 1, 2016

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016**

Current Year Findings –

None

Corrective Action Plan –

N/A

Status of Prior Year Findings –

N/A

OTHER TEA REQUIRED SCHEDULE

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit L-1

SCHOOLS FIRST QUESTIONNAIRE
FOR THE YEAR ENDED AUGUST 31, 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 0
SF11	Net Pension Assets (1920) at fiscal year-end	\$ 0
SF12	Net Pension Liabilities (2540) at fiscal year-end	\$ 1,154,452
SF13	Pension Expense (6147) at fiscal year-end	\$ 177,008