



**SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2016**

SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

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CERTIFICATE OF BOARD

Schertz-Cibolo-Universal City Independent School District
Name of School District

Guadalupe
County

094-902
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 13th of December 2016.



Signature of Board Secretary



Signature of Board President

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

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Schertz-Cibolo-Universal City
Independent School District
Schertz, 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 the Schertz-Cibolo-Universal City Independent School District, (the District), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension information on pages 5–12 and 47–50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Guidance Administrative Requirements, Cost, Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements.

The combining statements, required TEA schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, required TEA schedules, except for J-3, and the schedule of expenditures of federal awards are fairly stated in all material respects, in relation to the basic financial statements as a whole. Exhibit J-3 had not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 9, 2016

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**SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT**

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUGUST 31, 2016

As Management of Schertz-Cibolo-Universal City Independent School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2016. This information is not intended to be a complete statement of the District's financial condition. We recommend and encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- At August 31, 2016, the District's deficit net position was (\$15,112,101).
- For the year ended August 31, 2016, the District recorded total revenues of \$146,526,239 and total expenses of \$147,846,778. The District's revenues are derived from ad valorem tax collections, State Foundation Program entitlements and other grants, sale of food to students and employees, and other miscellaneous sources.
- The General Fund reported an increase in fund balance of \$2,741,089, from \$41,025,840 at August 31, 2015, to \$43,766,929 at August 31, 2016.
- The Capital Projects Fund reported a decrease in fund balance of \$13,816,872, from \$26,071,306 at August 31, 2015, to \$12,254,434 at August 31, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The statement of net position includes all of the District's assets, deferred outflows (inflows) of resources and liabilities. All of the current period's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how they have changed. Net position is the difference between the District's assets, deferred outflows (inflows) of resources and liabilities and are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating. To assess overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base, staffing patterns, enrollment and attendance.

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration and plant operation and maintenance are included in governmental activities. Local assessed property taxes, together with State Foundation Program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

FUND FINANCIAL STATEMENTS

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

Some funds are required by state law and other funds are mandated by bond agreements or bond covenants. The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants. Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District but the District is responsible to properly account for them.

The District reports the following types of funds:

Governmental Funds – Most of the District's basic services are included in governmental funds, which focus on 1) how *cash and other financial assets* that can readily be converted to cash flow in and out; and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

Fiduciary Funds – The District serves as the trustee, or *fiduciary*, for certain funds such as scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position was (\$15,112,101) at August 31, 2016. Table 1 focuses on the net position while Table 2 shows the revenues and expenses that changed the net position balance during the year ended August 31, 2016.

TABLE 1
SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities		Change	Percentage
	2016	2015		Change
Current and other assets	\$ 75,360,836	\$ 92,586,018	\$(17,225,182)	(18.60%)
Capital assets	<u>300,618,404</u>	<u>298,283,978</u>	<u>2,334,426</u>	<u>0.78%</u>
Total assets	<u>375,979,240</u>	<u>390,869,996</u>	<u>(14,890,756)</u>	<u>(3.81%)</u>
Total deferred outflows	<u>15,094,010</u>	<u>6,218,379</u>	<u>8,875,631</u>	<u>142.73%</u>
Other liabilities	10,814,384	15,791,091	(4,976,707)	(31.52%)
Long-term liabilities	<u>384,262,418</u>	<u>390,884,902</u>	<u>(6,622,484)</u>	<u>(1.69%)</u>
Total liabilities	<u>395,076,802</u>	<u>406,675,993</u>	<u>(11,599,191)</u>	<u>(2.85%)</u>
Total deferred inflows	<u>11,108,549</u>	<u>4,203,944</u>	<u>6,904,605</u>	<u>- %</u>
Net position:				
Net investment in capital assets	18,544,289	18,126,557	417,732	2.30%
Restricted	7,055,781	7,781,441	(725,660)	(9.33%)
Unrestricted	<u>(40,712,171)</u>	<u>(39,699,560)</u>	<u>(1,012,611)</u>	<u>2.55%</u>
Total net position	<u><u>\$(15,112,101)</u></u>	<u><u>\$(13,791,562)</u></u>	<u><u>\$(1,320,539)</u></u>	<u><u>9.57%</u></u>

TABLE 2
SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET POSITION

	Governmental Activities		Change	Percentage
	2016	2015		Change
REVENUES				
Program revenues:				
Charges for services	\$ 4,130,862	\$ 3,854,595	\$ 276,267	7.17%
Operating grants and contributions	17,954,392	16,017,492	1,936,900	12.09%
General revenues:				
Property taxes	68,018,299	64,508,605	3,509,694	5.44%
Grants and contributions not restricted	55,737,097	53,253,976	2,483,121	4.66%
Investment earnings	270,112	146,867	123,245	83.92%
Other revenues	415,477	143,003	272,474	190.54%
Total revenues	<u>146,526,239</u>	<u>137,924,538</u>	<u>8,601,701</u>	<u>6.24%</u>
EXPENSES				
Instruction	78,049,732	71,742,867	6,306,865	8.79%
Instructional resources and media services	1,853,387	1,697,912	155,475	9.16%
Curriculum and staff development	2,205,452	1,904,061	301,391	15.83%
Instructional leadership	1,299,628	920,439	379,189	41.20%
School leadership	6,959,506	6,388,731	570,775	8.93%
Guidance and counseling	3,977,787	3,581,695	396,092	11.06%
Social work services	148,187	169,996	(21,809)	(12.83%)
Health services	1,594,901	1,303,536	291,365	22.35%
Student transportation	4,941,792	4,467,705	474,087	10.61%
Food services	6,100,161	5,145,606	954,555	18.55%
Extracurricular activities	4,796,257	4,850,392	(54,135)	(1.12%)
General administration	3,387,132	2,887,971	499,161	17.28%
Plant maintenance and operations	14,032,611	13,352,884	679,727	5.09%
Security and monitoring services	474,681	544,348	(69,667)	(12.80%)
Data processing services	3,102,179	2,993,868	108,311	3.62%
Community services	336,212	321,925	14,287	4.44%
Interest, issuance costs and fees on debt	13,841,924	17,211,972	(3,370,048)	(19.58%)
Other governmental charges	745,249	713,258	31,991	4.49%
Total expenses	<u>147,846,778</u>	<u>140,199,166</u>	<u>7,647,612</u>	<u>5.45%</u>
INCREASE (DECREASE) IN NET POSITION	(1,320,539)	(2,274,628)	954,089	41.94%
NET POSITION, BEGINNING	(13,791,562)	4,053,648	(17,845,210)	(440.23%)
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(15,570,582)</u>	<u>15,570,582</u>	<u>100.00%</u>
NET POSITION, ENDING	<u>\$(15,112,101)</u>	<u>\$(13,791,562)</u>	<u>\$(1,320,539)</u>	<u>9.57%</u>

Governmental Activities

Total revenues for the District increased \$8.6 million, or 6.24%, as well as expenses increased \$7.6 million, or 5.45%.

Significant factors affecting the change in net position included:

- The District’s tax rate remained at \$1.49 for every \$100 of assessed valuation. At the same time, the total taxable valuation increased by a total of \$244 million. The result of the increase in property tax collections resulted in an increase in property tax revenue of \$3.5 million.
- Expenses increased \$7.6 million from the prior period. The most significant functional change was the increase in instructional costs of \$6,306,865, due primarily to a 3% salary increase on the mid-point for all employees, the increase of the TRS contribution rate by 1.5% and for the hiring of approximately 35 additional teachers and 25 other positions.
- The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in fiscal year 2016. As a result of this new accounting standard the District was required to report a liability for its proportionate share of TRS’s net pension liability. At year end this amount was \$27.0 million.
- The current year interest accretion of capital appreciation bonds was \$710 thousand.

The District records its expenses in various cost centers or “functions” in accordance with the requirements of the Texas Education Agency. Table 3 presents the cost of each of the functions with the largest expense totals together with that function’s net cost (total cost less fees and grants that are directly attributable to that function). The net cost of each function reflects what was funded primarily from State Foundation Program and tax revenues.

TABLE 3

**SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT’S**

TOTAL AND NET COST OF SELECTED EXPENSE FUNCTIONS

Description	Total Cost of Services		Net Cost of Services		Percent Change
	2016	2015	2016	2015	
Instruction	\$ 78,049,732	\$ 71,742,867	\$ 69,335,977	\$ 63,832,957	8.62%
Plant maintenance and operations	14,032,611	13,352,884	13,388,325	12,940,035	3.46%
School leadership	6,959,506	6,388,731	6,475,270	6,074,046	6.61%
Extracurricular activities	4,796,257	4,850,392	3,323,532	3,480,661	(4.51%)
Guidance and counseling	3,977,787	3,581,695	3,706,616	3,421,978	8.32%
Student transportation	4,941,792	4,467,705	4,611,855	4,260,565	8.25%
General administration	3,387,132	2,887,971	3,145,966	2,738,237	14.89%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the reporting period, August 31, 2016, the District's combined governmental funds (as presented in the balance sheet on Exhibit C-1) reported a combined fund balance of \$63,926,953. This compares to a combined fund balance of \$75,667,334 at August 31, 2015. The General Fund increased its fund balance a total of \$2,741,089. The Debt Service Fund decreased its fund balance a total of \$765,803. The Capital Projects Fund decreased its ending fund balance \$13,816,872.

General Fund Budgetary Highlights

In accordance with state law and generally accepted accounting standards, the District prepares an annual budget for the General Fund, the Food Service Special Revenue Fund, and for the Debt Service Fund. The District budgets the Capital Projects Fund for each project, which normally covers multiple years. Special Revenue Funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2016, the District prepared and amended its budget as required by state law prudent operating procedures. The District strives diligently to adjust its budget to reflect current levels of both revenues and expenditures. District officials have adopted a conservative approach to budgeting anticipated revenues and expenditures and make a good faith effort to amend the budget as changes occur.

The District's Board of Trustees is required by state law to formally adopt budgets for the General Fund, the Debt Service Fund and the Food Service (Special Revenue) Fund, and to amend those budgets as needed to avoid over expending any functional expenditure category. The District was in compliance with this requirement and, at the close of the fiscal year; all functional expenditure categories had positive budgetary variances. The General Fund had an overall positive budget variance of \$1,935,932, the Food Service Fund had a positive variance of \$293,360, and the Debt Service Fund had a positive variance of \$1,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets are generally defined as those items that have useful lives of one year or more and have an initial cost or value (if donated) of \$5,000, an amount determined by the Board. The cost or acquisition value, less accumulated depreciation, of the District's capital assets is recorded and displayed in the government-wide financial statements but not in the fund financial statements. Depreciation is calculated using the straight-line method with estimated useful lives as recommended by the Comptroller of Public Accounts of the State of Texas.

At August 31, 2016, the District had a total of \$414,524,918 invested in capital assets (land, buildings, vehicles and equipment). Of this amount, the District invested a total of \$13,992,632 in the year ended August 31, 2016. For fiscal year 2016, a total of \$11,610,818 was charged as depreciation, and at August 31, 2016, the total accumulated depreciation in the District's depreciable assets totaled \$113,906,514.

Table 4 summarizes the District’s capital assets at August 31, 2016. More detailed information regarding the District’s capital assets is presented in the Notes to the Financial Statements.

TABLE 4
SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT’S
CAPITAL ASSETS AND DEPRECIATION AT YEAR-END

	Governmental Activities		Changes	Percentage
	2016	2015		Change
				2016-2015
Land	\$ 27,030,615	\$ 26,810,483	\$ 220,132	0.82%
Construction in progress	2,539,310	21,400,598	(18,861,288)	(88.13%)
Buildings and improvements	364,582,883	332,735,407	31,847,476	9.57%
Equipment	7,489,997	7,247,047	242,950	3.35%
Vehicles	11,407,627	11,150,619	257,008	2.30%
Infrastructure	1,474,486	1,474,486	-	-
Total historical cost	<u>414,524,918</u>	<u>400,818,640</u>	<u>13,706,278</u>	<u>15.23%</u>
Accumulated depreciation	<u>113,906,514</u>	<u>102,534,662</u>	<u>11,371,852</u>	<u>11.09%</u>
Total capital assets	<u>\$ 300,618,404</u>	<u>\$ 298,283,978</u>	<u>\$ 2,334,426</u>	<u>0.78%</u>

Long-term Debt

At August 31, 2016, the District had bond issues outstanding of which the unpaid principal totaled \$307,071,092. Of this total, \$70,860,110 represents the original principal amount capital appreciation bonds, upon which no interest is paid until the maturity of the bond. At August 31, 2016, a total of \$34,174,605 interest had been “accrued” and is included in the accompanying government-wide financial statements as a long-term payable.

Interest on the outstanding bonds is payable semi-annually. Interest earned but not paid at the end of the year is “accrued” and is included in the government-wide statements as a payable and as an expense. This interest accrual was \$1,053,907 at August 31, 2016, and \$1,016,239 at August 31, 2015. Since this will be due and payable in February of the following fiscal year, the accrued interest on bonds is included as a “current liability” in the accompanying government-wide statements.

During the year the District issued \$135,015,000 of unlimited tax school building and refunding bonds. These bonds were used to refund previously issued bonds to take advantage of a better interest rate and fund new construction and renovation of existing facilities.

Table 5 summarizes the District’s outstanding debt at August 31, 2016. More detailed information regarding the District’s debt obligations is presented in the notes to the financial statements.

TABLE 5
SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT’S ANALYSIS OF DEBT AT YEAR-END

Description of Debt Outstanding	Governmental Activities			Percentage Change
	2016	2015	Changes	2016-2015
Bonds payable	\$ 307,071,092	\$ 319,376,474	\$(12,305,382)	(3.85%)
Accreted interest on bonds	34,174,605	41,394,513	(7,219,908)	(17.44%)
Premium/discount on bonds	14,655,653	15,520,619	(864,966)	(5.57%)
Net pension liability	27,027,133	13,742,740	13,284,393	96.66%
Compensated absences	897,303	850,556	46,747	5.50%
Total long-term debt	<u>\$ 383,825,786</u>	<u>\$ 390,884,902</u>	<u>\$(7,059,116)</u>	<u>(1.81%)</u>

ECONOMIC FACTORS AND THE NEXT YEAR’S BUDGETS

The following factors were considered in establishing the District’s budget for 2016-2017:

- Student enrollment and attendance for 2016-2017 is projected to increase by 3.7%. The budget is based on an enrollment projection of 15,680 students. Average daily attendance is estimated to increase from 14,506 to 15,053 in 2016-2017.
- Property values for ad valorem tax purposes are projected to increase by \$272 million or 6.5% for 2016-2017 as compared to the taxable values for 2015-2016. The District’s maintenance and operations tax rate remained at \$1.04 and the interest and sinking tax rate decreased to \$0.43 from \$0.45.
- Appropriations for the 2016-2017 General Fund budget increased over the appropriations for 2015-2016 General Fund budget by \$5.1 million. The increase is attributable to increases in personnel costs, including a salary increase for all employees and approximately 69 new positions.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our clients, taxpayers, students and creditors with a general overview of the District’s finances and to demonstrate the District’s commitment to accountability for the resources it receives. If you have any questions about this report or need additional financial information, contact Peggy Jaskinia, Chief Financial Officer at (210) 945-6260.

BASIC FINANCIAL STATEMENTS

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SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2016

Data Control Codes	1 <u>Primary Government</u> Governmental <u>Activities</u>
ASSETS	
1110 Cash and cash equivalents	\$ 3,247,415
1120 Current investments	70,438,267
1220 Delinquent property taxes receivables	1,193,169
1230 Allowance for uncollectible taxes (credit)	(173,435)
1240 Due from other governments	375,947
1250 Accrued interest	64,889
1290 Other receivables (net)	47,101
1300 Inventories	167,483
Capital assets:	
1510 Land	27,030,615
1520 Buildings and improvements, net	263,149,638
1530 Furniture and equipment, net	6,792,979
1580 Construction in progress	2,539,310
1590 Infrastructure, net	<u>1,105,862</u>
1000 Total assets	<u>375,979,240</u>
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred loss on bond refunding	2,508,458
1705 Deferred outflow related to TRS	<u>12,585,552</u>
1700 Total deferred outflows of resources	<u>15,094,010</u>
LIABILITIES	
2110 Accounts payable	2,955,943
2140 Interest payable	1,053,907
2150 Payroll deductions and withholdings	2,345
2160 Accrued wages	4,940,451
2180 Due to other governments	1,524,573
2300 Unearned revenue	337,165
Noncurrent liabilities:	
2501 Due within one year	12,200,141
2502 Due in more than one year	<u>372,062,277</u>
2000 Total liabilities	<u>395,076,802</u>
DEFERRED INFLOWS OF RESOURCES	
2601 Deferred gain on bond refunding	9,097,166
2605 Deferred inflow related to TRS	<u>2,011,383</u>
2600 Total deferred inflows of resources	<u>11,108,549</u>
NET POSITION	
3200 Net investment in capital assets	18,544,289
Restricted for:	
3820 Federal and state programs	1,776,403
3850 Debt service	5,279,378
3900 Unrestricted	<u>(40,712,171)</u>
3000 Total net position	<u><u>\$ (15,112,101)</u></u>

The accompanying notes are an integral part of this financial statement.

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SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expenses)
			3 Charges for Services	4 Operating Grants and Contributions	6 Revenue Changes in Net Position Primary Governmental Activities
Primary government:					
Governmental activities:					
11	Instruction	\$ 78,049,732	\$ 143,466	\$ 8,570,289	\$(69,335,977)
12	Instructional resources and media services	1,853,387	-	92,740	(1,760,647)
13	Curriculum and staff development	2,205,452	-	219,230	(1,986,222)
21	Instructional leadership	1,299,628	-	244,723	(1,054,905)
23	School leadership	6,959,506	-	484,236	(6,475,270)
31	Guidance, counseling, and evaluation services	3,977,787	-	271,171	(3,706,616)
32	Social work services	148,187	-	12,750	(135,437)
33	Health services	1,594,901	-	314,128	(1,280,773)
34	Student transportation	4,941,792	-	329,937	(4,611,855)
35	Food service	6,100,161	2,656,914	2,764,441	(678,806)
36	Extracurricular activities	4,796,257	1,330,482	142,243	(3,323,532)
41	General administration	3,387,132	-	241,166	(3,145,966)
51	Facilities maintenance and operations	14,032,611	-	644,286	(13,388,325)
52	Security and monitoring services	474,681	-	-	(474,681)
53	Data processing services	3,102,179	-	117,075	(2,985,104)
61	Community services	336,212	-	61,426	(274,786)
72	Interest on long-term debt	12,785,431	-	3,444,551	(9,340,880)
73	Bond issuance costs and fees	1,056,493	-	-	(1,056,493)
99	Other governmental changes	745,249	-	-	(745,249)
TG	Total governmental activities	\$ 147,846,778	\$ 4,130,862	\$ 17,954,392	(125,761,524)
Data Control Codes					
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				47,486,913
DT	Property taxes, levied for debt service				20,531,386
GC	Grants and contributions not restricted to specific programs				55,737,097
IE	Investment earnings				270,112
MI	Miscellaneous				415,477
TR	Total general revenues				124,440,985
CN	Change in net position				(1,320,539)
NB	Net position, beginning				(13,791,562)
NE	Net position, ending				\$(15,112,101)

The accompanying notes are an integral part of this financial statement.

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

AUGUST 31, 2016

Data Control Codes	10	50	60		98	
	General	Debt Service	Capital Projects	Other Governmental	Total Governmental Funds	
ASSETS						
1110	Cash and cash equivalents	\$ 2,252,989	\$ 673	\$ 264,170	\$ 725,637	\$ 3,243,469
1120	Current investments	48,498,347	5,625,318	13,218,282	2,165,667	69,507,614
1220	Property taxes - delinquent	868,992	324,177	-	-	1,193,169
1230	Allowance for uncollectible taxes	(126,442)	(46,993)	-	-	(173,435)
1240	Due from other governments	-	-	-	375,947	375,947
1250	Accrued interest	64,889	-	-	-	64,889
1260	Due from other funds	271,232	-	-	-	271,232
1290	Other receivables	32,302	-	1,770	13,029	47,101
1300	Inventories	167,483	-	-	-	167,483
1000	Total assets	<u>52,029,792</u>	<u>5,903,175</u>	<u>13,484,222</u>	<u>3,280,280</u>	<u>74,697,469</u>
LIABILITIES						
2110	Accounts payable	1,053,473	-	1,229,788	402,835	2,686,096
2150	Payroll deductions and withholdings	2,345	-	-	-	2,345
2160	Accrued wages	4,861,707	-	-	78,744	4,940,451
2170	Due to other funds	-	-	-	271,232	271,232
2180	Due to other governments	1,524,573	-	-	-	1,524,573
2300	Unearned revenue	86,028	-	-	251,137	337,165
2000	Total liabilities	<u>7,528,126</u>	<u>-</u>	<u>1,229,788</u>	<u>1,003,948</u>	<u>9,761,862</u>
DEFERRED INFLOWS OF RESOURCES						
2600	Unavailable revenue - property taxes	734,737	273,917	-	-	1,008,654
	Total deferred inflows of resources	<u>734,737</u>	<u>273,917</u>	<u>-</u>	<u>-</u>	<u>1,008,654</u>
FUND BALANCES						
Nonspendable:						
3410	Inventories	167,483	-	-	-	167,483
Restricted for:						
3450	Federal and state programs	-	-	-	1,776,403	1,776,403
3470	Capital acquisitions and contractual obligations	-	-	12,254,434	-	12,254,434
3480	Debt service	-	5,629,258	-	-	5,629,258
Committed for:						
3510	Construction	982,324	-	-	-	982,324
3545	Campus activities	-	-	-	499,929	499,929
Assigned for:						
3550	Construction	3,780,155	-	-	-	3,780,155
3570	Capital expenditures	1,623,783	-	-	-	1,623,783
3600	Unassigned	37,213,184	-	-	-	37,213,184
		<u>43,766,929</u>	<u>5,629,258</u>	<u>12,254,434</u>	<u>2,276,332</u>	<u>63,926,953</u>
4000	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 52,029,792</u>	<u>\$ 5,903,175</u>	<u>\$ 13,484,222</u>	<u>\$ 3,280,280</u>	<u>\$ 74,697,469</u>

The accompanying notes are an integral part of this financial statement.

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION**

AUGUST 31, 2016

Total fund balances - governmental funds	\$ 63,926,953
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	300,181,772
Uncollected property taxes are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	1,008,654
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding of bonds and the premium on issuance of bonds payable are not reported in the funds.	(363,387,361)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,053,907)
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability in the amount of \$27,027,133, a deferred resource inflow related to TRS in the amount of \$2,011,383 and a deferred resource outflow related to TRS in the amount of \$16,452,964.	(16,452,964)
Internal Service Funds are used by management to charge the costs of certain activities, such as workers' compensation insurance to individual funds. The net revenue (expense) of the Internal Service Funds is reported with governmental activities.	<u>664,752</u>
Net position of governmental activities	\$ <u>(15,112,101)</u>

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		10	50	60	98	98
		General	Debt Service	Capital Projects	Other Governmental	Total Governmental Funds
REVENUES						
5700	Local and intermediate sources	\$ 48,384,490	\$ 20,546,875	\$ 309,182	\$ 3,531,146	\$ 72,771,693
5800	State programs	60,662,669	3,444,551	-	606,280	64,713,500
5900	Federal programs	1,114,514	-	-	5,410,234	6,524,748
5020	Total revenues	<u>110,161,673</u>	<u>23,991,426</u>	<u>309,182</u>	<u>9,547,660</u>	<u>144,009,941</u>
EXPENDITURES						
Current:						
0011	Instruction	65,523,280	-	1,014,162	2,944,048	69,481,490
0012	Instructional resources and media services	1,281,085	-	-	287	1,281,372
0013	Curriculum and staff development	2,008,332	-	-	104,931	2,113,263
0021	Instructional leadership	1,065,047	-	-	184,842	1,249,889
0023	School leadership	6,471,779	-	-	-	6,471,779
0031	Guidance, counseling, and evaluation service:	3,678,174	-	-	25,913	3,704,087
0032	Social work services	142,019	-	-	-	142,019
0033	Health services	1,461,283	-	-	-	1,461,283
0034	Student transportation	3,919,455	-	-	4,557	3,924,012
0035	Food service	-	-	-	5,295,022	5,295,022
0036	Extracurricular activities	3,091,837	-	-	773,097	3,864,934
0041	General administration	3,205,002	-	16,877	29,896	3,251,775
0051	Facilities maintenance and operations	11,035,216	-	471,881	35,018	11,542,115
0052	Security and monitoring services	463,246	-	-	-	463,246
0053	Data processing services	1,795,279	-	848,384	-	2,643,663
0061	Community services	274,786	-	-	61,426	336,212
Debt service:						
0071	Principal on long-term debt	-	12,305,000	-	-	12,305,000
0072	Interest on long-term debt	-	12,445,070	-	-	12,445,070
0073	Bond issuance costs and fees	-	1,056,493	-	-	1,056,493
0073	Payment to bond refunding escrow agent	-	130,426,058	-	-	130,426,058
0081	Capital outlay	1,285,997	-	11,774,750	-	13,060,747
Intergovernmental:						
0099	Other intergovernmental charges	745,249	-	-	-	745,249
6030	Total expenditures	<u>107,447,066</u>	<u>156,232,621</u>	<u>14,126,054</u>	<u>9,459,037</u>	<u>287,264,778</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,714,607</u>	<u>(132,241,195)</u>	<u>(13,816,872)</u>	<u>88,623</u>	<u>(143,254,837)</u>
OTHER FINANCING SOURCES (USES)						
7901	Refunding bonds issued	-	135,015,000	-	-	135,015,000
7912	Sale of real or personal property	26,482	-	-	12,582	39,064
7916	Discount on issuance of bonds	-	(3,539,608)	-	-	(3,539,608)
7080	Total other financing sources (uses)	<u>26,482</u>	<u>131,475,392</u>	<u>-</u>	<u>12,582</u>	<u>131,514,456</u>
1200	NET CHANGE IN FUND BALANCES	2,741,089	(765,803)	(13,816,872)	101,205	(11,740,381)
0100	FUND BALANCES, BEGINNING	<u>41,025,840</u>	<u>6,395,061</u>	<u>26,071,306</u>	<u>2,175,127</u>	<u>75,667,334</u>
3000	FUND BALANCES, ENDING	<u>\$ 43,766,929</u>	<u>\$ 5,629,258</u>	<u>\$ 12,254,434</u>	<u>\$ 2,276,332</u>	<u>\$ 63,926,953</u>

The accompanying notes are an integral part of this financial statement.

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED AUGUST 31, 2016

Net change in fund balances - total governmental funds		\$(11,740,381)
Amounts reported for governmental activities in the statement of activities are different because:		
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.		1,907,837
In the statement of activities, only the gain on the sale of the assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.		(10,043)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		52,633
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.		11,255,666
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Amortization of deferred loss on refunding	(340,117)	
Amortization of bond premium	642,426	
Interest expense	(37,668)	
Accretion of interest on capital appreciation bonds	(605,002)	
Compensated absences	<u>46,747</u>	
		(387,108)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2015 caused the change in the ending net position to increase in the amount of \$2,443,719. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in the change in net position totaling \$2,263,975. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decreased the change in net position by \$1,876,084.		(1,876,084)
Internal Service Funds are used by management to charge the costs of certain activities, such as workers' compensation insurance to individual funds. The net revenue (expense) of the Internal Service Funds is reported with governmental activities.		<u>523,059</u>
Change in net position of governmental activities		<u><u>\$(1,320,539)</u></u>

The accompanying notes are an integral part of this financial statement.

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SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

AUGUST 31, 2016

	Governmental Activities
	<u>Workers' Compensation Insurance</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,946
Investments	<u>930,653</u>
Total current assets	<u>934,599</u>
LIABILITIES	
Current liabilities:	
Short term debt payable	<u>269,847</u>
Total current liabilities	<u>269,847</u>
NET POSITION	
Unrestricted	<u>664,752</u>
Total net position	\$ <u>664,752</u>

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SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities
	<u>Workers' Compensation Insurance</u>
OPERATING REVENUES	
Charges for services	\$ -
Total operating revenues	<u>-</u>
OPERATING EXPENSES	
Payroll costs	98,314
Professional and contracted services	65,138
Supplies and materials	632
Other operating costs	<u>363,549</u>
Total operating expenses	<u>527,633</u>
OPERATING INCOME (LOSS)	(527,633)
NONOPERATING REVENUES	
Earnings from temporary deposits and investments	<u>4,574</u>
Total nonoperating revenues	<u>4,574</u>
CHANGE IN NET POSITION	(523,059)
NET POSITION, BEGINNING	<u>1,187,811</u>
NET POSITION, ENDING	\$ <u><u>664,752</u></u>

The accompanying notes are an integral part of this financial statement.

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SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities
	<u>Workers' Compensation Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments for insurance claims	(363,549)
Cash payments for other operating expenses	<u>(164,084)</u>
Net cash provided by operating activities	<u>(527,633)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>4,574</u>
Net cash provided by investing activities	<u>4,574</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(523,059)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,457,658</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>934,599</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	<u>(527,633)</u>
Net cash provided by operating activities	<u>\$(527,633)</u>

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SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

AUGUST 31, 2016

	Private Purpose Trusts	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 375,540
Investments - current	-	50,520
Restricted assets	<u>15,891</u>	<u>-</u>
 Total assets	 <u>15,891</u>	 <u>426,060</u>
 LIABILITIES		
Due to student groups	<u>-</u>	<u>426,060</u>
Total liabilities	<u>-</u>	<u>\$ 426,060</u>
 NET POSITION		
Unrestricted net position	<u>15,891</u>	
 Total net position	 <u>\$ 15,891</u>	

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SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Private Purpose Trusts</u>
ADDITIONS	
Earnings from temporary deposits and investments	\$ <u>67</u>
Total additions	<u>67</u>
DEDUCTIONS	<u>-</u>
CHANGE IN NET POSITION	67
NET POSITION, BEGINNING	<u>15,824</u>
NET POSITION, ENDING	\$ <u><u>15,891</u></u>

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**SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and intergovernmental revenue.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The District reports the following major governmental funds:

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

The ***Debt Service Fund*** accounts for resources accumulated and payments made for principal and interest in long-term general obligation debt of governmental funds.

The ***Capital Projects Fund*** is used for activities funded by the issuance of long-term debt and local resources. Expenditures are generally restricted to the acquisition and/or construction of capital assets. This fund normally operates pursuant to a project length budget that is established without constraints of an annual operating budget.

In addition, the District reports the following fund types:

Internal Service Fund is used to account for revenues and expenses related to services provided to parties inside the District. This fund facilitates distribution of workers' compensation self-insurance costs to the users of support services on a cost-reimbursement basis. Because the principal user of the internal service is the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

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

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

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

Government-wide, proprietary, and private-purpose trust fund financial statements are reported using the economic resources measurement focus. The Agency Fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenue available if it is collectible within 30 days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Assets, Liabilities Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

Cash and cash equivalents

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

Investments

Investments for the District are reported at fair value, except for the position in investment pools. The District's investments in Pools are 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Property Taxes

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

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

Inventories

The District values inventory at cost, and records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30-40
Portable buildings	20-30
Building improvements	10-30
Vehicles	2-10
District equipment	3-20
Infrastructure	30

Compensated Absences

Terminating employees who meet the criteria as set forth in official District policy are paid a lump sum payment of any accrued local or state leave. Leave time is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Interfund Activity

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. It is deferred charge on refunding and deferred outflow related to TRS reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The item related to TRS represents the District's share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of inflows, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also recognizes their share of the unrecognized TRS plan deferred inflows of resources which TRS uses in calculating the ending net pension liability.

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.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

A deficit unrestricted net position of \$40.7 million exists in governmental activities as of August 31, 2016. This deficit is primarily the result of the District issuing bonds to finance certain noncapital items of school building construction and the District's proportionate share of the TRS net pension liability. Another contributing factor is accreted interest on capital appreciation bonds. These items were \$26.1 million, \$27.0 million and \$34.2 million, respectively, as of August 31, 2016. The bonds and accreted interest will be paid with future property tax revenues restricted for debt service, and the net pension liability will be funded through local, state, and federal revenues.

Net Position Flow Assumption

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

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the School Board, the District's highest level of decision making authority. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board, Superintendent, or Chief Financial Officer.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Fund Balance Policy

In order to preserve financial stability, the District must be prepared to respond to cash flow shortages, large or unexpected one-time expenditures, changes in the economy, and changes in state funding. The District targets a yearly unassigned General Fund balance of 25 percent (90 days) of total operating expenditures. The District also targets a minimum restricted debt service fund balance of 25 percent of annual debt service requirements on all outstanding debt issuance.

Fund Balance Flow Assumption

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available.

Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2016 will change.

Data Control Codes

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

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

Cash Deposits

Cash deposits of the District include all amounts deposited at the District's depository bank, including demand deposits and certificates of deposit. The District's cash deposits at August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

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

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

The following are investments the District held as of year-end:

Investment Type	Reported Value	Weighted Average Maturity (Days)	Rating	Rating Agency
TexPool	\$ 16,887,322	42	AAAm	S & P
Lone Star	15,254,841	23	AAAm	S & P
Logic	6,206,617	42	AAAm	S & P
TexStar	12,461,013	38	AAAm	S & P
Texas Daily	<u>14,636,323</u>	42.8	AAAm	S & P
Total portfolio that is exposed to interest rate and credit risk	<u>65,446,116</u>	38		
Certificates of deposit	<u>5,058,222</u>			
Total investments	<u>\$ 70,504,338</u>			

Public Funds Investment Pools

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

B. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal, state, and local governments as of August 31, 2016, are summarized below:

	Federal Programs	State Programs
Nonmajor governmental funds	\$ <u>352,615</u>	\$ <u>23,332</u>
	\$ <u><u>352,615</u></u>	\$ <u><u>23,332</u></u>

C. Capital Assets

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

	Beginning Balance 08/31/15	Increases	Decreases and Reclassifications	Ending Balance 08/31/16
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 26,810,483	\$ 220,132	\$ -	\$ 27,030,615
Construction in progress	<u>21,400,598</u>	<u>2,529,534</u>	<u>(21,390,822)</u>	<u>2,539,310</u>
Total capital assets, not being depreciated	<u>48,211,081</u>	<u>2,749,666</u>	<u>(21,390,822)</u>	<u>29,569,925</u>
Capital assets, being depreciated:				
Buildings and improvements	332,735,407	10,456,654	21,390,822	364,582,883
Equipment	7,247,047	317,197	(74,247)	7,489,997
Vehicles	11,150,619	469,115	(212,107)	11,407,627
Infrastructure	<u>1,474,486</u>	<u>-</u>	<u>-</u>	<u>1,474,486</u>
Total capital assets, being depreciated	<u>352,607,559</u>	<u>11,242,966</u>	<u>21,104,468</u>	<u>384,954,993</u>
Less accumulated depreciation for:				
Buildings and improvements	(91,153,715)	(10,242,166)	(37,364)	(101,433,245)
Equipment	(4,561,178)	(400,339)	64,217	(4,897,300)
Vehicles	(6,500,295)	(919,163)	212,113	(7,207,345)
Infrastructure	<u>(319,474)</u>	<u>(49,150)</u>	<u>-</u>	<u>(368,624)</u>
Total accumulated depreciation	<u>(102,534,662)</u>	<u>(11,610,818)</u>	<u>238,966</u>	<u>(113,906,514)</u>
Total capital assets, being depreciated, net	<u>250,072,897</u>	<u>(367,852)</u>	<u>21,343,434</u>	<u>271,048,479</u>
Governmental activities capital assets, net	<u>\$ 298,283,978</u>	<u>\$ 2,381,814</u>	<u>\$ (47,388)</u>	<u>\$ 300,618,404</u>

Depreciation was charged to functions as follows:

Instruction	\$ 5,554,995
Instructional resources and media services	463,381
Curriculum and staff development	24,972
School leadership	202,971
Guidance, counseling and evaluation services	88,739
Health services	75,078
Student transportation	886,006
Food service	738,270
Co-curricular/extracurricular activities	885,918
General administration	23,081
Plant maintenance and operations	2,247,650
Security and monitoring services	11,435
Data processing	<u>408,322</u>
 Total depreciation expense - governmental activities	 <u>\$ 11,610,818</u>

D. Interfund Balances

Due to and from Other Funds

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

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General	Nonmajor governmental	\$ <u>271,232</u>
Total		\$ <u><u>271,232</u></u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

E. Unearned Revenue

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

Extracurricular activities	\$ 86,028
Student lunch	198,207
Grants drawn down prior to meeting all eligibility requirements	<u>52,930</u>
 Total unearned revenue for governmental funds	 <u>\$ 337,165</u>

F. Long-term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Long-term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 319,376,474	\$ 103,921,074	\$ 116,226,456	\$ 307,071,092	\$ 10,180,000
Accreted interest on CAB	41,394,513	16,995,879	24,215,787	34,174,605	-
Discount on bonds	(371,538)	-	(34,219)	(337,319)	(34,219)
Premium on bonds	15,892,157	-	899,185	14,992,972	2,054,360
Net pension liability	13,742,740	15,548,368	2,263,975	27,027,133	-
Compensated absences	850,556	46,747	-	897,303	-
Retainage payable	-	436,632	-	436,632	-
Total governmental activities	<u>\$ 390,884,902</u>	<u>\$ 136,948,700</u>	<u>\$ 143,571,184</u>	<u>\$ 384,262,418</u>	<u>\$ 12,200,141</u>

The General Fund typically liquidates other long-term liabilities. The District's interest rates for bonds range from 2.00% to 5.00%.

Accretion on Premium Capital Appreciation Bonds

A portion of the bonds sold in the Unlimited Tax Refunding and School Building Bonds Series 2002, 2014A, and 2016 was premium capital appreciation bonds. These obligations have par values of \$12,421,092 and maturity values of \$70,025,000. The interest on these obligations will be paid upon maturity in the fiscal years ending August 31, 2020-2032. The accreted values of these bonds at August 31, 2016, are approximately \$34,174,605, which has been allocated to the governmental activities.

Debt Service Requirements

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

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 10,180,000	\$ 12,646,888	\$ 22,826,888
2018	11,425,000	12,308,838	23,733,838
2019	12,210,000	11,889,500	24,099,500
2020	12,415,000	11,421,263	23,836,263
2021	13,190,000	10,969,363	24,159,363
2022-2026	72,580,000	46,953,741	119,533,741
2027-2031	81,520,000	35,859,719	117,379,719
2032-2036	89,705,000	25,023,991	114,728,991
2037-2041	34,960,000	9,753,253	44,713,253
2042-2045	26,490,000	1,968,797	28,458,797
Totals	364,675,000	\$ 178,795,353	\$ 543,470,353
Less: Accretion of CABs	57,603,908		
Par Value of Bonds Outstanding	\$ 307,071,092		

Refunding of Debt

The District issued \$103,921,074 of unlimited tax refunding bonds, series 2016, to provide resources to refund \$103,921,455 unlimited tax current interest and capital appreciation bonds. The net proceeds of \$130,426,058 were deposited in trust with an escrow agent to provide for the redemption of the bonds. The net carrying amount of the old debt exceeded the reacquisition by \$9,097,166. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This refunding was undertaken to decrease total debt service payments over 20 years by \$43,040,228 and resulted in an economic gain of \$32,069,030.

G. Risk Management

During the year ended August 31, 2016, Schertz-Cibolo-Universal City Independent School District participated in the Texas Association of Public Schools Property and Liability Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Crime, Equipment Breakdown, General Liability, Manuscript Special, Property, Sexual Misconduct Endorsement, and Special Legal Liability. The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2016, the Fund anticipates Schertz-Cibolo-Universal City Independent School District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2016, are available at the TAPS offices and have been filed with the Texas Department of Insurance in Austin.

During the year ended August 31, 2016, employees of the District were covered by a self-insured workers’ compensation pool. All claims were processed and paid by the third party administrator (Sedgwick Claims Management Services, Inc.) acting on behalf of the self-funded pool. The contract between the District and the third party administrator is renewable annually and terms of coverage and costs to the District are included in the contractual provisions. In accordance with state statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Midwest Employer Casualty Company, a commercial insurance carrier licensed or otherwise eligible to do business in the State of Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$375,000.

The claims liability of \$269,847 reported in the Self-insurance Workers’ Compensation Fund at August 31, 2016, is based on the requirements of GASB Statement Nos. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. Claim liabilities, including incurred but not reported (IBNR) claims, are based on the estimated ultimate cost of settling the claims. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

Changes in the workers’ compensation claims liability in fiscal years 2015 and 2016 are as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Change in Estimates</u>	<u>Claim Payments</u>	<u>Ending of Fiscal Year Liability</u>
2015	\$ 228,582	\$ 243,148	\$ 201,883	\$ 269,847
2016	269,847	274,034	274,034	269,847

H. Pension Plan

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

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

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

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

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

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

	Contribution Rates	
	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2016 Employer Contributions		\$ 2,443,719
2016 Member Contributions		5,852,501
2016 NECE On-behalf Contributions		3,798,707

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

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

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

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 instructional 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	8/31/2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefits changes during the year	None
Ad hoc post-employment benefit changes	None

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

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

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

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 42,346,423	\$ 27,027,133	\$ 14,267,116

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, the District's liability was \$27,027,133 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	\$ 27,027,133
State's proportionate share that is associated with the District	<u>45,335,187</u>
Total	<u>\$ 72,362,320</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 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0764587% which was an increase of 0.0250097% from its proportion measured as of August 31, 2014.

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

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

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

For the year ended August 31, 2016, Schertz-Cibolo-Universal City recognized pension expense of \$6,459,535 and revenue of \$6,459,535 for support provided by the State.

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	\$ 176,759	\$ 1,038,677
Changes in actuarial assumptions	742,922	964,210
Difference between projected and actual investment earnings	3,505,925	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	5,716,227	8,496
Contributions paid to TRS subsequent to the measurement date	2,443,719	-
Total	<u>\$ 12,585,552</u>	<u>\$ 2,011,383</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:

Year Ended August 31,	Pension Expense Amount
2017	\$ 1,427,640
2018	1,427,640
2019	1,427,642
2020	2,477,727
2021	802,656
Thereafter	567,145

I. Health Care Coverage

During the period ended August 31, 2016, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. The contract between the District and the licensed insurer is renewable September 1, 2016, and terms of coverage and premium costs are included in the contractual provisions.

J. Retiree Health Plan

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

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

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 466,683	1.0%	\$ 717,974	0.55%	\$ 394,892
2015	0.65%	493,279	1.0%	758,890	0.55%	417,397
2016	0.65%	528,340	1.0%	812,847	0.55%	447,071

Medicare Part D – On-behalf Payments. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$312,036, \$309,473, and \$191,339 were recognized for the years ended August 31, 2016, 2015, and 2014, respectively, as equal revenues and expenditures.

K. Commitments and Contingencies

Contingencies

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

Construction Commitments

The District has construction contracts totaling \$46,405,199 of which \$38,669,818 has been completed.

L. Shared Services Arrangements

The District participates in a shared services arrangement (“SSA”) for which ESC Region 20 is the fiscal agent. The District does account for revenues or expenditures in this program and does disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Region 20, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The following SSA is with ESC 20:

<u>Fund</u>	<u>Description</u>
385	State Supplemental Visually Impaired Program (Region 20)

The District participates in a shared services arrangement for adult education services with other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Comal ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

M. Subsequent Event

On November 8, 2016, the voters of the District approved \$137 million bonds for new construction to replace Rose Garden Elementary School, renovations and additions at Samuel Clemens High School, HVAC replacement at Watts Elementary School, Jordan Intermediates School and Wilder Intermediate School, technology infrastructure updates and new school buses.

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REQUIRED SUPPLEMENTARY INFORMATION

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SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 47,519,135	\$ 48,274,384	\$ 48,384,490	\$ 110,106
5800	State programs	61,150,710	60,662,669	60,662,669	-
5900	Federal programs	1,635,000	1,107,305	1,114,514	7,209
5020	Total revenues	<u>110,304,845</u>	<u>110,044,358</u>	<u>110,161,673</u>	<u>117,315</u>
EXPENDITURES					
Current:					
0011	Instruction	66,343,015	65,594,910	65,523,280	71,630
0012	Instructional resources and media sources	1,359,787	1,283,966	1,281,085	2,881
0013	Curriculum and staff development	2,242,877	2,023,464	2,008,332	15,132
0021	Instructional leadership	1,267,304	1,069,951	1,065,047	4,904
0023	School leadership	6,665,013	6,484,267	6,471,779	12,488
0031	Guidance, counseling, and evaluation services	3,813,433	3,698,115	3,678,174	19,941
0032	Social work services	151,501	143,339	142,019	1,320
0033	Health services	1,639,687	1,489,058	1,461,283	27,775
0034	Student transportation	4,676,739	4,253,720	3,919,455	334,265
0036	Extracurricular activities	3,118,774	3,172,441	3,091,837	80,604
0041	General administration	3,775,081	3,297,143	3,205,002	92,141
0051	Facilities maintenance and operations	11,829,400	11,486,079	11,035,216	450,863
0052	Security and monitoring services	482,200	499,831	463,246	36,585
0053	Data processing services	1,822,414	1,807,154	1,795,279	11,875
0061	Community services	285,300	275,786	274,786	1,000
0081	Capital outlay	-	2,052,525	1,285,997	766,528
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative	32,320	5,000	-	5,000
0099	Other governmental charges	800,000	746,249	745,249	1,000
6030	Total expenditures	<u>110,304,845</u>	<u>109,382,998</u>	<u>107,447,066</u>	<u>1,935,932</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>661,360</u>	<u>2,714,607</u>	<u>2,053,247</u>
OTHER FINANCING SOURCES (USES)					
7912	Sale of real or personal property	-	26,482	26,482	-
7080	Total other financing sources (uses)	<u>-</u>	<u>26,482</u>	<u>26,482</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	<u>-</u>	<u>687,842</u>	<u>2,741,089</u>	<u>2,053,247</u>
0100	FUND BALANCES, BEGINNING	<u>41,025,840</u>	<u>41,025,840</u>	<u>41,025,840</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 41,025,840</u>	<u>\$ 41,713,682</u>	<u>\$ 43,766,929</u>	<u>\$ 2,053,247</u>

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**SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT**

NOTES TO BUDGETARY INFORMATION

AUGUST 31, 2016

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund, and the National School Breakfast and Lunch Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds, and compares the final amended budget to actual revenue and expenditures. The District presented the General Fund budgetary comparison schedule as required supplementary information, and the National School Breakfast and Lunch and Debt Service Funds budgetary comparison schedules are presented as required TEA schedules.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days’ public notice of the meeting must be given.
3. Prior to September 1, the budget is legally approved by Board action. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget. The District had no outstanding end-of-year encumbrances.

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2016

Plan year	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0764587%	0.0514490%
District's proportionate share of the net pension liability (asset)	\$ 27,027,133	\$ 13,742,740
State's proportionate share of the net pension liability (asset) associated with the District	<u>45,335,187</u>	<u>38,169,656</u>
Total	<u>\$ 72,362,320</u>	<u>\$ 51,912,396</u>
District's covered-employee payroll	\$ 75,888,996	\$ 71,797,391
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.61%	19.14%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%

Information for the previous 8 years is not available. GASB 68 was implemented in fiscal year 2015.

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2016

Fiscal year	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,443,719	\$ 2,263,975
Contributions in relation to the contractually required contribution	<u>(2,443,719)</u>	<u>(2,263,975)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 81,284,708	\$ 75,888,996
Contribution as a percentage of covered-employee payroll	3.01%	2.98%

Information for the previous 8 years is not available. GASB 68 was implemented in fiscal year 2015.

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COMBINING STATEMENTS

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2016

	Special Revenue Funds			
	211	224	225	240
	ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 209,194
Investments - current	-	-	-	2,136,116
Due from other governments	69,271	171,953	-	82,066
Other receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,029</u>
Total assets	<u>69,271</u>	<u>171,953</u>	<u>-</u>	<u>2,440,405</u>
LIABILITIES				
Accounts payable	-	-	-	386,368
Accrued wages	-	-	-	78,744
Due to other funds	69,271	171,953	-	683
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,207</u>
Total liabilities	<u>69,271</u>	<u>171,953</u>	<u>-</u>	<u>664,002</u>
FUND BALANCES				
Restricted for:				
Federal and state programs	-	-	-	1,776,403
Committed for:				
Campus activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,776,403</u>
 Total liabilities and fund balances	 <u>\$ 69,271</u>	 <u>\$ 171,953</u>	 <u>\$ -</u>	 <u>\$ 2,440,405</u>

Special Revenue Funds					
244 Career and Technical - Basic	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Programs	385 Visually Impaired	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ 2,226	\$ -	\$ 38,665
-	-	-	-	-	-
-	20,786	8,539	-	547	-
-	-	-	-	-	-
<u>-</u>	<u>20,786</u>	<u>8,539</u>	<u>2,226</u>	<u>547</u>	<u>38,665</u>
-	-	-	-	547	3,068
-	-	-	-	-	-
-	20,786	8,539	-	-	-
-	-	-	2,226	-	35,597
<u>-</u>	<u>20,786</u>	<u>8,539</u>	<u>2,226</u>	<u>547</u>	<u>38,665</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>20,786</u>	<u>8,539</u>	<u>2,226</u>	<u>547</u>	<u>38,665</u>

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SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2016

	Special Revenue Funds			Total Nonmajor Governmental
	410 State Textbook	426 TX Educator Excellence Award	461 Campus Activity Funds	
ASSETS				
Cash and cash equivalents	\$ 5,174	\$ -	\$ 470,378	\$ 725,637
Investments - current	-	-	29,551	2,165,667
Due from other governments	22,785	-	-	375,947
Other receivables	-	-	-	13,029
Total assets	<u>27,959</u>	<u>-</u>	<u>499,929</u>	<u>3,280,280</u>
LIABILITIES				
Accounts payable	12,852	-	-	402,835
Accrued wages	-	-	-	78,744
Due to other funds	-	-	-	271,232
Unearned revenues	15,107	-	-	251,137
Total liabilities	<u>27,959</u>	<u>-</u>	<u>-</u>	<u>1,003,948</u>
FUND BALANCES				
Restricted for:				
Federal and state programs	-	-	-	1,776,403
Committed for:				
Campus activities	-	-	499,929	499,929
Total fund balances	<u>-</u>	<u>-</u>	<u>499,929</u>	<u>2,276,332</u>
Total liabilities and fund balances	<u>\$ 27,959</u>	<u>\$ -</u>	<u>\$ 499,929</u>	<u>\$ 3,280,280</u>

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2016

	Special Revenue Funds			
	211	224	225	240
	ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ 2,663,465
State programs	-	-	-	169,538
Federal programs	<u>812,065</u>	<u>1,776,170</u>	<u>14,805</u>	<u>2,525,529</u>
Total revenues	<u>812,065</u>	<u>1,776,170</u>	<u>14,805</u>	<u>5,358,532</u>
EXPENDITURES				
Current:				
Instruction	562,564	1,750,257	14,805	-
Instruction resources and media services	-	-	-	-
Curriculum and staff development	6,882	-	-	-
Instructional leadership	181,193	-	-	-
Guidance, counseling and evaluation services	-	25,913	-	-
Student transportation	-	-	-	-
Food service	-	-	-	5,295,022
Extracurricular activities	-	-	-	-
General administration	-	-	-	-
Facilities maintenance and operations	-	-	-	35,018
Community services	<u>61,426</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>812,065</u>	<u>1,776,170</u>	<u>14,805</u>	<u>5,330,040</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	28,492
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,582</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,582</u>
NET CHANGE IN FUND BALANCES	-	-	-	41,074
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,735,329</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,776,403</u>

Special Revenue Funds					
244 Career and Technical - Basic	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Programs	385 Visually Impaired	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	12,364	12,032
<u>93,438</u>	<u>138,936</u>	<u>49,291</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>93,438</u>	<u>138,936</u>	<u>49,291</u>	<u>-</u>	<u>12,364</u>	<u>12,032</u>
88,063	100,029	-	-	12,364	3,907
-	-	-	-	-	-
5,375	35,258	49,291	-	-	8,125
-	3,649	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>93,438</u>	<u>138,936</u>	<u>49,291</u>	<u>-</u>	<u>12,364</u>	<u>12,032</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2016

	Special Revenue Funds			Total Nonmajor Governmental Funds
	410 State Textbook	426 TX Educator Excellence Award	461 Campus Activity Funds	
REVENUES				
Local and intermediate sources	\$ -	\$ -	\$ 867,681	\$ 3,531,146
State programs	412,059	287	-	606,280
Federal programs	-	-	-	5,410,234
Total revenues	<u>412,059</u>	<u>287</u>	<u>867,681</u>	<u>9,547,660</u>
EXPENDITURES				
Current:				
Instruction	412,059	-	-	2,944,048
Instruction resources and media services	-	287	-	287
Curriculum and staff development	-	-	-	104,931
Instructional leadership	-	-	-	184,842
Guidance, counseling and evaluation services	-	-	-	25,913
Student transportation	-	-	4,557	4,557
Food service	-	-	-	5,295,022
Extracurricular activities	-	-	773,097	773,097
General administration	-	-	29,896	29,896
Facilities maintenance and operations	-	-	-	35,018
Community services	-	-	-	61,426
Total expenditures	<u>412,059</u>	<u>287</u>	<u>807,550</u>	<u>9,459,037</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	60,131	88,623
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	-	-	-	12,582
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,582</u>
NET CHANGE IN FUND BALANCES	-	-	60,131	101,205
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>439,798</u>	<u>2,175,127</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 499,929</u>	<u>\$ 2,276,332</u>

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SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF NET POSITION

PRIVATE PURPOSE TRUST FUNDS

AUGUST 31, 2016

	821	822	Total
	Karen Nation	Allison L. Steele	Private Purpose Trust Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Noncurrent assets:			
Restricted assets	\$ <u>7,560</u>	\$ <u>8,331</u>	\$ <u>15,891</u>
Total noncurrent assets	<u>7,560</u>	<u>8,331</u>	<u>15,891</u>
Total assets	<u>7,560</u>	<u>8,331</u>	<u>15,891</u>
NET POSITION			
Restricted for scholarships	<u>7,560</u>	<u>8,331</u>	<u>15,891</u>
Total net position	\$ <u>7,560</u>	\$ <u>8,331</u>	\$ <u>15,891</u>

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SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

PRIVATE PURPOSE TRUST FUNDS

FOR THE YEAR ENDED AUGUST 31, 2016

	821	822	Total
	Karen Nation	Allison L. Steele	Private Purpose Trust Funds
	<u> </u>	<u> </u>	<u> </u>
ADDITIONS			
Earnings from temporary deposits and investments	\$ <u> 31</u>	\$ <u> 36</u>	\$ <u> 67</u>
Total additions	<u> 31</u>	<u> 36</u>	<u> 67</u>
 Change in net position	<u> 31</u>	<u> 36</u>	<u> 67</u>
 NET POSITION, BEGINNING	<u> 7,529</u>	<u> 8,295</u>	<u> 15,824</u>
 NET POSITION, ENDING	\$ <u><u> 7,560</u></u>	\$ <u><u> 8,331</u></u>	\$ <u><u> 15,891</u></u>

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REQUIRED TEA SCHEDULES

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2016

Last Ten Years Ended August 31,	1		2	3	10	20
	Tax Rates		Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 09/01/15	Current Year's Total Levy	
	Maintenance	Debt Service				
2007 and prior years	various	various	various	\$ 209,771	\$ -	
2008	1.040000	0.275000	2,813,933,010	34,624	-	
2009	1.040000	0.345000	3,196,305,415	52,538	-	
2010	1.040000	0.380000	3,297,068,803	43,812	-	
2011	1.040000	0.395000	3,429,603,136	79,724	-	
2012	1.040000	0.395000	3,515,023,345	85,673	-	
2013	1.040000	0.420000	3,729,824,795	111,113	-	
2014	1.040000	0.450000	3,886,322,349	178,277	-	
2015	1.040000	0.450000	4,306,221,477	336,388	-	
2016 (School year under audit)	1.040000	0.450000	4,550,568,389	-	<u>67,803,469</u>	
1000 Totals				<u>\$ 1,131,920</u>	<u>\$ 67,803,469</u>	

EXHIBIT J-1

31	32	40	50
Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 08/31/16
\$ 12,746	\$ 2,090	\$ (23,247)	\$ 171,688
2,883	762	(728)	30,251
6,327	2,099	(1)	44,111
7,117	2,600	(111)	33,984
7,617	2,891	(49)	69,167
11,771	4,471	(275)	69,156
17,972	7,258	(10,440)	75,443
39,164	16,946	(10,722)	111,445
59,436	25,574	(86,807)	164,571
<u>47,084,722</u>	<u>20,370,465</u>	<u>75,071</u>	<u>423,353</u>
<u>\$ 47,249,755</u>	<u>\$ 20,435,156</u>	<u>\$ (57,309)</u>	<u>\$ 1,193,169</u>

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET - UNAUDITED

GENERAL FUND

AUGUST 31, 2016

<u>Data Control Codes</u>	<u>Explanation</u>		
1	Total General Fund Balance as of 8/31/16 (Exhibit C-1 object 3000 for the General Fund only)		\$ 43,766,929
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	\$ 167,483	
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	982,324	
5	Total Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	5,403,938	
6	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	-	
7	Estimate of two months' average cash disbursements during the fiscal year	18,000,000	
8	Estimate of delayed payments from state sources (58XX)	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	-	
10	Estimate of delayed payments from federal sources (59XX)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>-</u>	
12	Optimum Fund Balance and Cash Flow (2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11)		<u>24,553,745</u>
13	<u>Excess/(Deficit) Unassigned General Fund Balance (1 - 12)</u>		<u>\$ 19,213,184</u>

The District will use positive unassigned General Fund balance to fund future operations and capital projects.

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL**

NATIONAL BREAKFAST AND LUNCH PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 3,386,390	\$ 2,572,860	\$ 2,663,465	\$ 90,605
5800	State programs	187,265	169,538	169,538	-
5900	Federal programs	2,844,724	2,552,688	2,525,529	(27,159)
5020	Total revenues	<u>6,418,379</u>	<u>5,295,086</u>	<u>5,358,532</u>	<u>63,446</u>
EXPENDITURES					
Current:					
0035	Food service	6,310,485	5,588,382	5,295,022	293,360
0051	Facilities maintenance and operations	<u>117,894</u>	<u>35,018</u>	<u>35,018</u>	-
6030	Total expenditures	<u>6,428,379</u>	<u>5,623,400</u>	<u>5,330,040</u>	<u>293,360</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,000)	(328,314)	28,492	356,806
OTHER FINANCING SOURCES (USES)					
7912	Sale of real or personal property	<u>10,000</u>	<u>12,582</u>	<u>12,582</u>	-
7080	Total other financing sources (uses)	<u>10,000</u>	<u>12,582</u>	<u>12,582</u>	-
1200	NET CHANGE IN FUND BALANCES	-	(315,732)	41,074	356,806
0100	FUND BALANCES, BEGINNING	<u>1,735,329</u>	<u>1,735,329</u>	<u>1,735,329</u>	-
3000	FUND BALANCES, ENDING	<u>\$ 1,735,329</u>	<u>\$ 1,419,597</u>	<u>\$ 1,776,403</u>	<u>\$ 356,806</u>

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL**

DEBT SERVICE FUND

FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and intermediate sources	\$ 20,173,260	\$ 20,544,798	\$ 20,546,875	\$ 2,077
5800	State programs	3,488,363	3,444,551	3,444,551	-
5020	Total revenues	<u>23,661,623</u>	<u>23,989,349</u>	<u>23,991,426</u>	<u>2,077</u>
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	12,305,000	12,305,000	12,305,000	-
0072	Interest on long-term debt	12,371,057	12,445,070	12,445,070	-
0073	Bond issuance costs and fees	10,000	1,057,493	1,056,493	1,000
0073	Payment to bond refunding escrow agent	-	130,426,058	130,426,058	-
6030	Total expenditures	<u>24,686,057</u>	<u>156,233,621</u>	<u>156,232,621</u>	<u>1,000</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,024,434)	(132,244,272)	(132,241,195)	3,077
OTHER FINANCING SOURCES (USES)					
7901	Refunding bonds issued	-	135,015,000	135,015,000	-
7916	Discount on issuance of bonds	-	(3,539,608)	(3,539,608)	-
7080	Total other financing sources (uses)	<u>-</u>	<u>131,475,392</u>	<u>131,475,392</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	(1,024,434)	(768,880)	(765,803)	3,077
0100	FUND BALANCES, BEGINNING	<u>6,395,061</u>	<u>6,395,061</u>	<u>6,395,061</u>	<u>-</u>
3000	FUND BALANCES, ENDING	<u>\$ 5,370,627</u>	<u>\$ 5,626,181</u>	<u>\$ 5,629,258</u>	<u>\$ 3,077</u>

FEDERAL AWARDS SECTION

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Board of Trustees of
Schertz-Cibolo-Universal City
Independent School District
Schertz, 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 Schertz-Cibolo-Universal City Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Schertz-Cibolo-Universal City Independent School District's basic financial statements, and have issued our report thereon dated December 9, 2016

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 9, 2016



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Trustees of
Schertz-Cibolo-Universal City
Independent School District
Schertz, Texas

Report on Compliance for Each Major Federal Program

We have audited Schertz-Cibolo-Universal City Independent School District's (the "District") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 9, 2016

SCHERTZ-CIBOLO-UNIVERSAL CITY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2016

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
<u>U. S. DEPARTMENT OF DEFENSE</u>			
Direct Program:			
Air Force Junior ROTC	12.000	TX072064/TX070082	\$ 160,210
Total Direct Program			<u>160,210</u>
TOTAL U. S. DEPARTMENT OF DEFENSE			<u>160,210</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Education Agency:			
School Breakfast Program	10.553	71401201	451,643
National School Lunch Program	10.555	71301201	<u>1,736,715</u>
Total Passed through the Texas Education Agency			<u>2,188,358</u>
Passed through the Texas Department of Agriculture:			
Commodities - Noncash Assistance	10.555	094001A	<u>337,171</u>
Total Passed through the Texas Department of Agriculture			<u>337,171</u>
Total Child Nutrition Cluster			<u>2,525,529</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>2,525,529</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
ESEA, Title I, Part A - Improving Basic Programs	84.010	16610101094902	812,065
IDEA - Part B, Formula	84.027	166600010949026600	1,776,170
IDEA - Part B, Preschool	84.173	166610010949026610	<u>14,805</u>
Total Special Education Cluster (IDEA)			<u>1,790,975</u>
Career and Technical - Basic Grant	84.048	16420006094902	93,438
Title III, Part A - English Language Acquisition	84.365	16671001094902	49,291
ESEA Title II, Part A, Teacher/Principal Training	84.367	16694501094902	<u>138,936</u>
Total Passed through the Texas Education Agency			<u>2,884,705</u>
Direct Program:			
Impact Aid	84.041	53-TX-2013-0118	48,126
Impact Aid	84.041	53-TX-2015-0118	110,886
Impact Aid	84.041	53-TX-2016-0118	<u>587,268</u>
Total Direct Program			<u>746,280</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>3,630,985</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>6,316,724</u>

**SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

AUGUST 31, 2016

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal award programs of Schertz-Cibolo-Universal City Independent School District. The District's reporting entity is defined in Note I of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Awards is presented using the modified accrual basis of accounting. The District's significant account policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the District were provided to subrecipients.

4. INDIRECT COSTS

The District did not elect to apply the 10% de minimis indirect cost rate.

5. RECONCILIATION OF FEDERAL REVENUES

The following is the reconciliation of federal revenues and the Schedule of Expenditures of Federal Awards for the year ended August 31, 2016:

Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit C-3)	\$ 6,524,748
Less:	
School health and related services revenue	<u>208,024</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	<u>\$ 6,316,724</u>

**SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT**

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

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements
noted? None

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance
for major programs Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)? None

Identification of major programs:

CFDA Number(s):	Name of Federal Program or Cluster:
84.027 and 84.173	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? Yes

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

None

Findings and Questioned Costs for Federal Awards

None

**SCHERTZ-CIBOLO-UNIVERSAL CITY
INDEPENDENT SCHOOL DISTRICT**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2016

None