



**Annual Financial Report
For The Fiscal Year Ended
August 31, 2018**

WICHITA FALLS INDEPENDENT SCHOOL DISTRICT

WICHITA FALLS, TEXAS

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Annual Financial Report

Wichita Falls Independent School District

Wichita Falls, Texas

For the Year Ended August 31, 2018

**Prepared by
Wichita Falls ISD Finance Department**

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Wichita Falls Independent School District

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Wichita Falls Independent School District

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Certificate of Board

Wichita Falls Independent School District
Name of School District

Wichita
County

243-905
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, 2018 at a meeting of the Board of Trustees of such school district on the 15th day of January, 2019.



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):

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Financial Section

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Independent Auditor's Report

To the Board of Trustees
Wichita Falls Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wichita Falls Independent School District (the District), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2018, 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.

Emphasis of Matter

As discussed in Note 1 and Note 9 to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Beginning net position has been restated to reflect the change in accounting principle resulting from this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The Board of Trustees
Wichita Falls Independent School District

The other supplementary information and 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 other supplementary information and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019 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.

Weaver and Tidwell, L.L.P.
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 9, 2019

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Management's Discussion and Analysis

Our discussion and analysis of Wichita Falls Independent School District's (the District) financial performance provides an overview of the District's financial activities for the year ended August 31, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the District at the close of the most recent fiscal year by a deficit of \$11.3 million (net position).
- During the year, the District expensed \$108.5 million, which was \$16.2 million less than the District's revenue of \$124.7 million. Of this, \$13.1 million was program revenue and \$111.6 million was general revenue.
- The primary component of the \$65.1 million decrease in net position was related to the implementation of GASB Statement No. 75 for Other Post-Employment Benefits.
- The fund balance of the General Fund was \$23.0 million, which was a decrease of \$3.5 million.
- The fund balance of the Capital Projects Fund was \$411 thousand, which was an increase of \$1.6 million due to a general fund transfer in as the bond program was completed.
- The fund balance of the Child Nutrition Fund was \$1.1 million, which was a decrease of \$900 thousand.

Overview of The Financial Statements

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

The basic financial statements include two kinds of statements that present different views of the District:

The first are government-wide financial statements, which provide both long-term and short-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

The governmental fund financial statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund financial statements offer short-term and long-term financial information about the activities the District operates like businesses, such as self-insurance. The District has internal service funds reflected in the proprietary fund financial statements.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how they have changed. Net position is one way to measure the District's financial health or position.

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

Most of the District's basic services are included in the governmental activities, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

In fiscal year 2018, the District implemented the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – which superseded GASB Statement No. 45.

Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined benefit OPEB plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The effects of the implementation of this statement has no impact on the District's governmental fund financial statements. However, implementation has resulted in certain changes to the presentation of the financial statements of the District's government-wide financial statements. More information on the implementation of this statement and the District's OPEB plan is available in Note 1 and Note 9, respectively.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 on the reconciliations that explain the relationship (or differences) between them.

Proprietary Funds. Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The District's proprietary funds are internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions.

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

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the budgetary comparison of the general fund and child nutrition fund and the TRS pension schedules.

Financial Analysis of the District as a Whole

Net position. The District's overall net position decreased between fiscal years 2017 and 2018 - by (\$65,147,189). (See Table A-1).

Table A-1
Wichita Falls Independent School District's Net Position

	Governmental Activities		Increase (Decrease)	Percentage Change
	2018	2017		
Assets:				
Current and other assets	\$ 41,985,949	\$ 46,574,123	\$ (4,588,174)	-10%
Capital assets, net	140,023,381	143,237,088	(3,213,707)	-2%
Total assets	182,009,330	189,811,211	(7,801,881)	-12%
Total deferred outflows of resources	12,586,967	13,810,809	(1,223,842)	-9%
Liabilities				
Long-term debt	163,399,189	127,246,837	36,152,352	28%
Other liabilities	19,263,242	20,958,258	(1,695,016)	-8%
Total liabilities	182,662,431	148,205,095	34,457,336	20%
Total deferred inflows of resources	23,268,457	1,604,327	21,664,130	1350%
Net position:				
Net investment in capital assets	45,345,587	41,287,530	4,058,057	10%
Restricted	1,748,812	2,340,671	(591,859)	-25%
Unrestricted	(58,428,990)	10,184,397	(68,613,387)	-674%
Total net position	\$ (11,334,591)	\$ 53,812,598	\$ (65,147,189)	-689%

Changes in net position. The District's total revenues were \$124.7 million, a decrease of \$20.7 million. (See Table A-2.) General revenues increased due to an increase in tax collections as a result of rising property values and investment earnings. Operating grants and contributions decreased \$22 million due to the implementation of GASB 75. During the 2017-2018 fiscal year, changes to the District's proportionate share of the State's Net OPEB Liability resulted in a decrease of expenses of approximately \$36.5 million from the prior year and a decrease of revenues of \$20.2 million. Without the newly required accounting for other postemployment benefits, expenses would have increased from the prior year. The District's governmental ending net position increased \$24.2 million.

Governmental Activities

Table A-2 compares the District's operating and general revenues and functional expenses for both the prior and current years. Following the table, we provide explanations for the significant fluctuations between the two years.

Table A-2
Changes in the Wichita Falls Independent School District's Net Position

	Governmental Activities		Increase (Decrease)	Percentage Change
	Year Ended 2018	Year Ended 2017		
Program revenues:				
Charges for services	\$ 2,399,543	\$ 2,435,489	\$ (35,946)	-1%
Operating grants and contributions	10,719,790	32,904,741	(22,184,951)	-67%
General revenues:				
Property taxes	52,948,044	51,788,786	1,159,258	2%
Unrestricted operating grants (mostly state aid)	57,945,952	57,758,474	187,478	0%
Investment earnings	595,542	432,677	162,865	38%
Miscellaneous	102,667	129,664	(26,997)	-21%
Total revenues	124,711,538	145,449,831	(20,738,293)	-14%
Expenses:				
Instruction	56,068,181	90,156,483	(34,088,302)	-38%
Instructional resources and media services	1,089,342	1,590,609	(501,267)	-32%
Curriculum and staff development	1,954,464	2,089,590	(135,126)	-6%
Instructional leadership	2,352,319	2,857,743	(505,424)	-18%
School leadership	5,466,452	8,068,872	(2,602,420)	-32%
Guidance, counseling and evaluation services	4,514,269	6,006,736	(1,492,467)	-25%
Social work services	475,580	559,118	(83,538)	-15%
Health services	1,117,384	1,682,070	(564,686)	-34%
Student transportation	2,744,139	2,735,426	8,713	0%
Food services	8,223,982	7,463,261	760,721	10%
Extracurricular activities	3,307,809	4,556,084	(1,248,275)	-27%
General administration	2,552,349	4,111,371	(1,559,022)	-38%
Facilities maintenance and operations	11,808,739	13,560,110	(1,751,371)	-13%
Security and monitoring services	676,808	671,966	4,842	1%
Data processing services	1,982,694	3,419,732	(1,437,038)	-42%
Community services	447,559	426,588	20,971	5%
Debt service	2,946,686	2,731,838	214,848	8%
Bond issuance costs and fees	3,000	5,000	(2,000)	-40%
Payments for shared service arrangements	181,504	204,064	(22,560)	-11%
Payments related to juvenile justice programs	11,911	10,188	1,723	0%
Other intergovernmental charges	545,411	544,549	862	0%
Total expenses	108,470,582	153,451,398	(44,980,816)	-29%
Change in net position	\$ 16,240,956	\$ (8,001,567)	\$ 24,242,523	-303%

Sources of Revenues for Fiscal Year 2018

Graph A-1

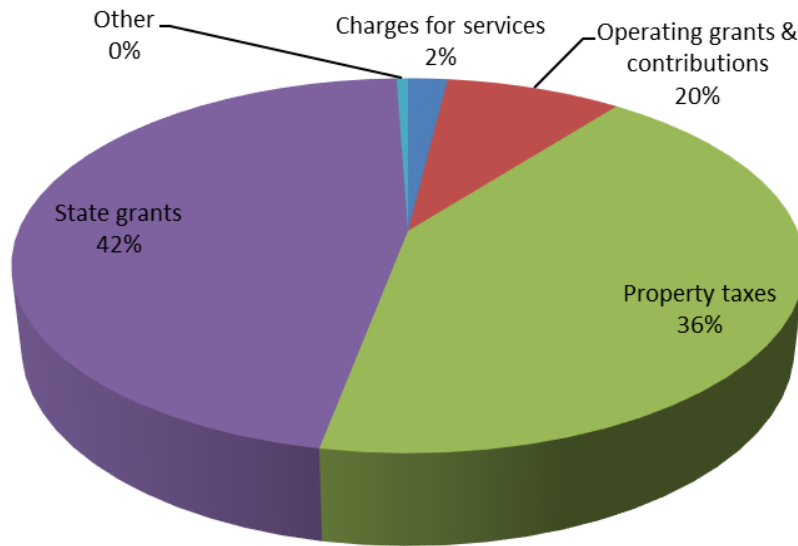


Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table A-3
Wichita Falls Independent School District
Net Cost of Selected District Functions

	Total Cost of Services		Increase (Decrease)	% Change
	Year Ended 2018	Year Ended 2017		
Instruction	\$ 56,068,181	\$ 90,156,483	\$ (34,088,302)	-37.8%
School leadership	5,466,452	8,068,872	(2,602,420)	-32.3%
General administration	2,552,349	4,111,371	(1,559,022)	-37.9%
Facilities maintenance and operations	11,808,739	13,560,110	(1,751,371)	-12.9%
	Net Cost of Services		Increase (Decrease)	% Change
	Year Ended 2018	Year Ended 2017		
Instruction	\$ 60,521,486	\$ 71,305,263	\$ (10,783,777)	-15.1%
School leadership	4,224,225	6,837,552	(2,613,327)	-38.2%
General administration	1,972,228	3,483,971	(1,511,743)	-43.4%
Facilities maintenance and operations	9,119,972	11,666,036	(2,546,064)	-21.8%

The cost of all governmental activities this year was \$108.4 million; however, the amount our taxpayers paid for these activities through property taxes was \$52.9 million. Some of the cost was paid by those who directly benefited from the programs, through charges for services - \$2.4 million, or by operating grants and contributions - \$10.7 million. The amount funded by the state was \$57.9 million in formula grants and state aid.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$25.4 million. Approximately \$20.6 million constitutes the unassigned fund balance. The remainder of fund balance is nonspendable, restricted, or committed to indicate that it is not available for new spending because it has already been: 1) restricted for retirement of long-term debt, 2) restricted for capital projects, and 3) restricted, committed for other purposes, or nonspendable.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$21.2 million, while the total fund balance of all governmental funds was \$25.4 million.

The general fund reported an ending fund balance of \$23,091,385. The net change in fund balance resulted in a decrease in the general fund balance from the prior year in the amount of \$3,454,178. The decrease in fund balance was the result of increased transfers to the Capital Projects fund during the fiscal year.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenues and appropriations. The amendments fall into the following categories:

- Amendments throughout the year to revise estimates for local and state revenue based on the latest information on student attendance and tax collections.
- Amendments throughout the year for transfers to and from other funds and federal indirect cost calculations.
- Amendments throughout the year for unexpected occurrences.
- Amendments throughout the year for resignations and employment of new personnel.

After appropriations were amended as described above, actual revenues for the general fund were \$4,266,548 more than the final budgeted amounts. The District saw an increase in state program revenues, due to changes in the state funding template, an increase in reimbursement requested through SHARS, and an increase in interest rates on investments. Actual expenditures were \$1,179,867 above final budgeted amounts, primarily due to board approved capital expenditures such as buses, band uniforms, and NaviGate Prepared Software. Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenues and appropriations.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2018, amounts to \$140.0 million (net of accumulated depreciation). This amount represents a net decrease (including additions and deletions) of \$3.2 million or 2.2%. The investment in capital assets includes land, buildings and improvements, vehicles, equipment, and construction in progress.

Table A-4
Wichita Falls Independent School District's Capital Assets

	Governmental Activities		Increases (Decreases)	%
	2018	2017		
Land	\$ 12,015,106	\$ 11,868,728	\$ 146,378	1%
Bldgs and improvements	202,254,062	173,293,495	28,960,567	17%
Equipment	17,819,984	16,184,382	1,635,602	10%
Property under cap lease	2,682,717	2,682,717	-	0%
Construction in progress	511,295	27,604,764	(27,093,469)	-98%
Totals at historical cost	235,283,164	231,634,086	3,649,078	2%
Less accumulated depreciation	95,259,783	88,396,998	6,862,785	8%
Net capital assets	\$ 140,023,381	\$ 143,237,088	\$ (3,213,707)	-2%

Additional information on the District's capital assets can be found in the notes to the financial statements.

Capital Projects Fund

Several projects were completed in 2018 including the Barwise Track, Hirschi High School and McNiel Middle School Tennis Courts, and Zundy roofing project.

Long-Term Debt

At year-end the District had \$97.8 million in long term debt – a decrease of 6.9% over last year – as shown in Table A-5.

Table A-5
Wichita Falls Independent School District's Long Term Debt

	2018	2017	Increase (Decrease)	% Change
General obligation bonds	\$ 80,460,000	\$ 85,275,000	\$ (4,815,000)	-5.6%
Premium on bonds	7,045,300	8,043,357	(998,057)	-12.4%
Total bonds payable	87,505,300	93,318,357	(5,813,057)	-6.2%
Note payable	8,080,000	9,000,000	(920,000)	100.0%
Capital leases payable	1,058,074	1,364,855	(306,781)	-22.5%
Compensated absences	1,115,655	1,280,505	(164,850)	-12.9%
Total long-term obligations	\$ 97,759,029	\$ 104,963,717	\$ (7,204,688)	-6.9%

Economic Factors and Next Year's Budgets and Tax Rates

The District's certified property values for 2018 reflect a 0.97% increase in property values, from the prior year. This increase in property values was offset by a decrease in state revenue for the general fund, as provided for under current state law. This provision does not apply to the debt service fund.

The maintenance and operating tax rate of \$1.04 is the same as the prior year. A total of 4 cents above \$1.00 is allowable at the local level, under provisions of HB 1. The District is now at its maximum maintenance and operating tax rate, and will remain at this rate until the Board of Trustees call for a tax ratification election to access up to 13 additional pennies.

The District's 2018-19 refined average daily attendance was budgeted at 13,048.

The Administration is carefully monitoring future and outstanding debt, as well as fund balance, to maintain a tax rate not to exceed \$0.50 for debt service payments. The debt service tax rate was decreased from \$0.19 to \$0.18 for the 2018 year.

The Board of Trustees adopted a 2018-2019 general fund budget reflecting revenues and transfers in of \$128,590,958 and expenditures and transfers out of \$129,179,037. This budget included additional teaching staff, teacher payscale step increase, and a 1.0% general pay increase for other employees.

The District will continue to review its priorities to maintain the level of service to its children and taxpayers for future budget years.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Chief Financial Officer or Director of Finance.

Basic Financial Statements

Wichita Falls Independent School District

Statement of Net Position

August 31, 2018

Exhibit A-1

1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
ASSETS		
1110	Cash and cash equivalents	\$ 3,473,045
1120	Current investments	28,627,832
1220	Property taxes receivables (net)	1,221,070
1240	Due from other governments	7,103,990
1290	Other receivables	98,916
1300	Inventories	1,175,961
1410	Prepaid items	285,135
	Capital assets:	
1510	Land	12,015,106
1520	Buildings and improvements, net	122,915,596
1530	Furniture and equipment, net	2,504,491
1550	Capital lease assets, net	2,076,893
1580	Construction in progress	511,295
1000	Total assets	182,009,330
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred charges from refunding bonds	1,560,289
1705	Deferred outflows of resources - pensions	10,290,266
1706	Deferred outflows of resources - OPEB	736,412
1700	Total deferred outflows of resources	12,586,967
LIABILITIES		
2110	Accounts payable	3,338,861
2165	Accrued liabilities	5,908,220
2140	Interest payable	307,096
2180	Due to other governments	2,824,733
2300	Unearned revenue	485,852
	Noncurrent liabilities:	
2501	Due within one year	6,398,480
2502	Due in more than one year	91,360,549
2590	Claims and judgments	432,000
2540	Net pension liability (District's share)	25,191,798
2545	Net OPEB liability (District's share)	46,414,842
2000	Total liabilities	182,662,431
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflows of resources - pensions	3,853,041
2606	Deferred inflows of resources - OPEB	19,415,416
2600	Total deferred inflows of resources	23,268,457
NET POSITION		
3200	Net investment in capital assets	45,345,587
	Restricted for:	
3820	Retirement of long-term debt	587,384
3850	Grants	1,161,428
3900	Unrestricted	(58,428,990)
3000	TOTAL NET POSITION	\$ (11,334,591)

The Notes to the Financial Statements are an integral part of this statement.

Wichita Falls Independent School District
Statement of Activities
For the Fiscal Year Ended August 31, 2018

Exhibit B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
GOVERNMENTAL ACTIVITIES					
11	Instruction	\$ 56,068,181	\$ 37,209	\$ (4,490,514)	\$ (60,521,486)
12	Instructional resources and media services	1,089,342	-	246,303	(843,039)
13	Curriculum and staff development	1,954,464	-	444,228	(1,510,236)
21	Instructional leadership	2,352,319	-	534,657	(1,817,662)
23	School leadership	5,466,452	-	1,242,227	(4,224,225)
31	Guidance, counseling, and evaluation services	4,514,269	-	1,026,044	(3,488,225)
32	Social work services	475,580	-	108,094	(367,486)
33	Health services	1,117,384	-	253,969	(863,415)
34	Student transportation	2,744,139	-	623,713	(2,120,426)
35	Food services	8,223,982	1,339,768	5,625,594	(1,258,620)
36	Cocurricular/extracurricular activities	3,307,809	873,711	751,281	(1,682,817)
41	General administration	2,552,349	-	580,121	(1,972,228)
51	Facilities maintenance and operations	11,808,739	148,855	2,539,912	(9,119,972)
52	Security and monitoring services	676,808	-	153,831	(522,977)
53	Data processing services	1,982,694	-	450,645	(1,532,049)
61	Community services	447,559	-	101,725	(345,834)
72	Interest on long-term debt	2,946,686	-	527,960	(2,418,726)
73	Bond issuance costs and fees	3,000	-	-	(3,000)
93	Payments related to shared services arrangement:	181,504	-	-	(181,504)
95	Payments related to juvenile justice programs	11,911	-	-	(11,911)
99	Other intergovernmental charges	545,411	-	-	(545,411)
TG	Total governmental activities	108,470,582	2,399,543	10,719,790	(95,351,249)
GENERAL REVENUES					
MT	Property taxes, levied for general purposes				44,795,512
DT	Property taxes, levied for debt service				8,152,532
GC	Grants and contributions not restricted to specific programs				57,945,952
IE	Investment earnings				595,542
MI	Miscellaneous				102,667
TR	Total general revenues				111,592,205
CN	Change in net position				16,240,956
NB	Net position - beginning				53,812,598
PA	Prior period adjustment - (Note 13)				(81,388,145)
	Net position (deficit), beginning, as restated				(27,575,547)
NE	NET POSITION (DEFICIT), ending				\$ (11,334,591)

The Notes to the Financial Statements are an integral part of this statement.

Wichita Falls Independent School District

Balance Sheet
Governmental Funds
August 31, 2018

Data Control Codes		10 General Fund	24 Child Nutrition Fund
ASSETS			
1110	Cash and cash equivalents	\$ 1,498,429	\$ 80,158
1120	Current investments	25,643,269	572,745
1220	Taxes receivable	1,767,457	-
1230	Allowance for uncollectible taxes (credit)	(760,473)	-
1240	Due from other governments	4,507,553	361,992
1260	Due from other funds	3,499,165	99,766
1290	Other receivables	95,207	3,709
1300	Inventories	417,674	749,414
1410	Prepays	285,135	-
1000	TOTAL ASSETS	\$ 36,953,416	\$ 1,867,784
LIABILITIES			
Current liabilities:			
2110	Accounts payable	\$ 2,120,967	\$ 615,658
2160	Accrued wages payable	5,408,709	89,915
2170	Due to other funds	2,721,703	25,588
2180	Due to other governments	2,713,123	-
2300	Unearned revenue	24,146	33,758
2000	Total liabilities	12,988,648	764,919
DEFERRED INFLOWS OF RESOURCES			
2600	Unavailable revenue	873,383	-
	Total deferred inflows of resources	873,383	-
FUND BALANCES			
Nonspendable fund balances:			
3410	Inventories	417,674	-
3430	Prepaid items	285,135	-
Restricted fund balances:			
3450	Federal/state funds grant restrictions	-	1,102,865
3480	Retirement of long-term debt	-	-
3490	Construction	-	-
Committed fund balance:			
3540	Self-insurance	100,000	-
3545	Other committed fund balance	1,115,655	-
Assigned			
	Reserve for capital projects transfer in	-	-
3600	Unassigned	21,172,921	-
3000	Total fund balances	23,091,385	1,102,865
4000	TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 36,953,416	\$ 1,867,784

The Notes to the Financial Statements are an integral part of this statement.

Exhibit C-1

50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 16,368	\$ 496,698	\$ 1,172,393	\$ 3,264,046
767,002	1,102,348	-	28,085,364
279,819	-	-	2,047,276
(65,733)	-	-	(826,206)
4,149	-	2,230,296	7,103,990
-	-	-	3,598,931
-	-	1,638	100,554
-	-	8,873	1,175,961
-	-	-	285,135
<u>\$ 1,001,605</u>	<u>\$ 1,599,046</u>	<u>\$ 3,413,200</u>	<u>\$ 44,835,051</u>
\$ -	\$ 541,590	\$ 47,726	\$ 3,325,941
-	-	412,196	5,910,820
-	646,366	2,400,885	5,794,542
107,125	-	2,485	2,822,733
-	-	427,948	485,852
<u>107,125</u>	<u>1,187,956</u>	<u>3,291,240</u>	<u>18,339,888</u>
198,441	-	-	1,071,824
<u>198,441</u>	<u>-</u>	<u>-</u>	<u>1,071,824</u>
-	-	-	417,674
-	-	-	285,135
-	-	58,563	1,161,428
696,039	-	-	696,039
-	-	-	-
-	-	-	100,000
-	-	613,534	1,729,189
-	411,090	-	411,090
-	-	(550,137)	20,622,784
<u>696,039</u>	<u>411,090</u>	<u>121,960</u>	<u>25,423,339</u>
<u>\$ 1,001,605</u>	<u>\$ 1,599,046</u>	<u>\$ 3,413,200</u>	<u>\$ 44,835,051</u>

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Wichita Falls Independent School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Government-Wide Statement of Net Position
 August 31, 2018

Exhibit C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS, balance sheet \$ 25,423,339

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources;
 therefore are not reported in the governmental fund financial statements. 234,643,879

Accumulated depreciation has not been included in the governmental fund financial statements. (94,755,116)

Long-term debt and other contractual liabilities have not been included in the governmental
 fund financial statements:

Bond payable	\$ (88,540,000)	
Compensated absences	(1,115,655)	
Capital Lease	(1,058,074)	(90,713,729)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the
 governmental fund financial statements, interest expenditures are reported when due. (307,096)

Premiums on the issuance of current interest bonds are capitalized, net of amortization, on the
 government-wide financial statements. (7,045,300)

In the governmental fund financial statements, refunding losses are expensed when incurred, whereas
 in the government-wide financial statements they are capitalized, net of amortization. 1,560,289

Revenue reported as a deferred inflow of resources in the governmental fund financial statements is
 recorded as revenue in the government-wide financial statements. 1,071,824

Internal service funds are used by management to charge the costs of various services to the
 individual funds. The assets and liabilities of the internal service funds are included in the
 governmental activities. 2,635,738

The District's net pension liability and related deferred outflows and inflows related to its proportionate
 share of the state Teacher Retirement System (TRS) pension are not due and payable in the current period
 and are, therefore, not reported in the governmental funds financial statements. These items consist of:

Net pension liability	\$ (25,191,798)	
Deferred outflows - pension related items	10,290,266	
Deferred inflows - pension related items	(3,853,041)	(18,754,573)

The District's net OPEB liability and related deferred outflows and inflows related to its proportionate
 share of TRS-Care are not due and payable in the current period and are, therefore, not reported in the
 governmental funds financial statements. These items consist of:

Net OPEB liability	\$ (46,414,842)	
Deferred outflows - OPEB related items	736,412	
Deferred inflows - OPEB related items	(19,415,416)	(65,093,846)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES, statement of net position \$ (11,334,591)

The Notes to the Financial Statements are an integral part of this statement.

Wichita Falls Independent School District

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended August 31, 2018

<u>Data Control Codes</u>		<u>10 General Fund</u>	<u>24 Child Nutrition Fund</u>
REVENUES			
5700	Local and intermediate sources	\$ 46,010,292	\$ 1,349,427
5800	State program revenues	62,401,874	37,366
5900	Federal program revenues	4,616,616	5,716,902
5020	Total revenues	113,028,782	7,103,695
EXPENDITURES			
Current:			
0011	Instruction	67,395,045	-
0012	Instructional resources and media services	1,308,710	-
0013	Curriculum and staff development	1,307,045	-
0021	Instructional leadership	2,087,261	-
0023	School leadership	6,808,472	-
0031	Guidance, counseling, and evaluation services	3,857,605	-
0032	Social work services	290,260	-
0033	Health services	1,548,121	-
0034	Student transportation	3,511,893	-
0035	Food services	-	7,839,537
0036	Cocurricular/extracurricular activities	3,434,997	-
0041	General administration	3,804,475	-
0051	Facilities maintenance and operations	11,687,855	-
0052	Security and monitoring services	764,710	-
0053	Data processing services	2,721,718	-
0061	Community services	3,922	-
Debt service:			
0071	Principal on long-term debt	1,178,983	-
0072	Interest on long-term debt	193,085	-
0073	Bond issuance costs and fees	-	-
Capital outlay:			
0081	Facilities maintenance and operations	986,531	-
0093	Payments to shared service arrangements	84,866	-
0095	Payments related to juvenile justice alternative education program	11,911	-
0099	Other intergovernmental charges	545,411	-
6030	Total expenditures	113,532,876	7,839,537
1100	Excess (deficiency) of revenues over (under) expenditures	(504,094)	(735,842)
OTHER FINANCING SOURCES (USES)			
7912	Sale of real or personal property	19,550	198
7915	Transfers in	839,366	-
8911	Transfers out	(3,809,000)	(193,000)
7080	Total other financing sources and (uses)	(2,950,084)	(192,802)
1200	Net change in fund balances	(3,454,178)	(928,644)
0100	Fund balances, beginning, September 1	26,545,563	2,031,509
3000	FUND BALANCES, ending, August 31	\$ 23,091,385	\$ 1,102,865

The Notes to the Financial Statements are an integral part of this statement.

50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 8,181,597	\$ 13,902	\$ 1,848,435	\$ 57,403,653
527,960	-	860,738	63,827,938
-	-	10,360,451	20,693,969
<u>8,709,557</u>	<u>13,902</u>	<u>13,069,624</u>	<u>141,925,560</u>
-	106,203	8,432,057	75,933,305
-	-	90,129	1,398,839
-	-	828,527	2,135,572
-	-	789,353	2,876,614
-	-	360,139	7,168,611
-	-	1,680,204	5,537,809
-	-	263,552	553,812
-	-	3,180	1,551,301
-	-	-	3,511,893
-	-	4,966	7,844,503
-	-	447,824	3,882,821
-	-	49,421	3,853,896
-	-	69,778	11,757,633
-	-	-	764,710
-	-	-	2,721,718
-	-	421,803	425,725
4,815,000	-	-	5,993,983
3,591,500	-	-	3,784,585
3,000	-	-	3,000
-	1,486,231	-	2,472,762
-	-	96,638	181,504
-	-	-	11,911
-	-	-	545,411
<u>8,409,500</u>	<u>1,592,434</u>	<u>13,537,571</u>	<u>144,911,918</u>
300,057	(1,578,532)	(467,947)	(2,986,358)
-	-	-	19,748
-	3,809,000	-	4,648,366
-	(646,366)	-	(4,648,366)
-	<u>3,162,634</u>	-	<u>19,748</u>
300,057	1,584,102	(467,947)	(2,966,610)
395,982	(1,173,012)	589,907	28,389,949
<u>\$ 696,039</u>	<u>\$ 411,090</u>	<u>\$ 121,960</u>	<u>\$ 25,423,339</u>

Wichita Falls Independent School District**Exhibit C-2R**

Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund
Balances to the Government-Wide Statement of Activities
For the Year Ended August 31, 2018

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (2,966,610)

Amounts reported for governmental activities in the statement of activities are different because:

Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. 3,649,078

Depreciation is not recognized as an expenditure in the governmental fund financial statements since it does not use current financial resources. Current year depreciation is: (6,803,318)

Long-term debt principal payments are expenditures in the governmental fund financial statements, but are reported as reductions of long-term debt in the government-wide financial statements. Current year long-term debt principal payments are: 5,735,000

Capital lease payments are expenditures in the governmental fund financial statements, but are reported as reductions of long-term debt in the government-wide financial statements. 258,983

Interest is accrued on long-term debt in the government-wide financial statements, whereas interest is reported when due in the governmental fund financial statements. Accrued interest increased by: 12,858

Changes in liabilities for compensated absences are not reflected in the governmental fund financial statements, but are reported as increases and decreases in long-term liabilities of the government-wide financial statements. The liability for compensated absences increased by: 164,850

Bond premiums are expended when incurred in the governmental fund financial statements, but capitalized and amortized over the maturity of the debt for government-wide financial statements. Current year bond premium amortization is: 998,057

Amortization of deferred losses on refundings is only reported in the government-wide financial statements. Current year amortization is: (173,365)

Revenue from property taxes is deferred in the governmental fund financial statements until it is considered available to finance current year expenditures, but is recognized when assessed, net of an allowance for uncollectible accounts, in the government-wide financial statements. (549)

Internal service funds are used by management to charge the costs of various services to the individual funds. The change in net position of the internal service funds is reported in the governmental activities. 473,400

The net change in the net pension liability, deferred outflows and deferred inflows is reported in the statement of activities but does not provide or require the use of current financial resources and is not reported as revenues or expenditures in the governmental funds. The net change consists of:

Deferred outflows decrease	(1,786,889)
Deferred inflows increase	(2,248,714)
Net pension liability decrease	2,633,876

The net change in the net OPEB liability, deferred outflows and deferred inflows is reported in the statement of activities but does not provide or require the use of current financial resources and is not reported as revenues or expenditures in the governmental funds. The net change consists of:

Deferred outflows increase	181,498
Deferred inflows increase	(19,415,416)
Net OPEB liability decrease	35,528,217

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 16,240,956

Wichita Falls Independent School District

Statement of Net Position

Proprietary Funds

August 31, 2018

Exhibit D-1

<u>Data Control Codes</u>		<u>Internal Service Funds</u>
	ASSETS	
	Current assets:	
1110	Cash and cash equivalents	\$ 208,999
1120	Investments	542,468
1260	Due from other funds	<u>2,621,937</u>
	Total current assets	3,373,404
	Noncurrent assets	
	Capital assets:	
1530	Furniture and equipment	301,667
1550	Assets purchased under capital leases	337,618
1570	Accumulated depreciation	<u>(504,667)</u>
	Total noncurrent assets	<u>134,618</u>
1000	Total assets	3,508,022
	LIABILITIES	
	Current liabilities:	
2110	Accounts payable	13,958
2170	Due to other funds	<u>426,326</u>
	Total current liabilities	<u>440,284</u>
	Noncurrent liabilities:	
2590	Claims and judgments	<u>432,000</u>
	Total noncurrent liabilities	<u>432,000</u>
2000	Total liabilities	872,284
	NET POSITION	
3200	Net investment in capital assets	134,618
3900	Unrestricted	<u>2,501,120</u>
3000	TOTAL NET POSITION	<u><u>\$ 2,635,738</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Wichita Falls Independent School District
Statement of Revenues, Expenses, and Changes
in Fund Net Position-Proprietary Funds
For the Fiscal Year Ended August 31, 2018

Exhibit D-2

<u>Data Control Codes</u>		<u>Internal Service Funds</u>
	OPERATING REVENUES	
5700	Total local and intermediate sources	\$ 1,086,417
5020	Total operating revenues	1,086,417
	OPERATING EXPENSES	
6100	Payroll costs	174,981
6200	Professional and contracted services	169,411
6300	Supplies and materials	19,791
6400	Other operating costs	256,664
6030	Total operating expenses	620,847
	Operating income	465,570
	NONOPERATING REVENUES	
7955	Earnings from temporary deposits and investments	7,830
8030	Total non-operating revenues	7,830
1300	Change in net position	473,400
0100	TOTAL NET POSITION, beginning, September 1	2,162,338
3300	TOTAL NET POSITION, ending, August 31	\$ 2,635,738

Wichita Falls Independent School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended August 31, 2018

Exhibit D-3

	Internal Service Funds
	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash payments for quasi-external operating transactions with others	\$ (361,737)
Cash payment to employees for services	(174,981)
Cash payments to other suppliers for goods and services	(682,731)
	<hr/>
Net cash used in operating activities	(1,219,449)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(47,798)
	<hr/>
Net cash used in capital and related financing activities	(47,798)
Net decrease in cash and cash equivalents	(1,267,247)
CASH AND CASH EQUIVALENTS, beginning of year	1,476,246
	<hr/>
CASH AND CASH EQUIVALENTS, end of year	\$ 208,999
	<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME TO NET CASH	
CASH USED IN OPERATING ACTIVITIES	
Operating income	\$ 465,570
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation	59,467
Change in assets and liabilities	
Increase in due from other funds	(1,641,182)
Decrease in accounts payable	2,154
Decrease in accrued wages payable	(486)
Increase in due to other funds	193,028
Decrease in claims liability	(298,000)
	<hr/>
NET CASHED USED IN OPERATING ACTIVITIES	\$ (1,219,449)
	<hr/> <hr/>

Wichita Falls Independent School District

Statement of Fiduciary Net Position

Fiduciary Funds

August 31, 2018

Exhibit E-1

<u>Data Control Codes</u>		<u>Private-Purpose Trust Funds</u>	<u>Agency Fund</u>
ASSETS			
1110	Cash and cash equivalents	\$ 711,384	\$ 307,930
1290	Other receivables	-	875
1000	Total assets	711,384	<u>\$ 308,805</u>
LIABILITIES			
2110	Accounts payable	-	4,905
2190	Due to student groups	-	303,900
2000	Total liabilities	-	<u>\$ 308,805</u>
NET POSITION			
3000	Held in trust	<u>711,384</u>	
	Total net position	<u>\$ 711,384</u>	

Wichita Falls Independent School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended August 31, 2018

Exhibit E-2

	Private-Purpose Trust Funds
	<hr/>
ADDITIONS	
Gifts and bequests	\$ 211,065
DEDUCTIONS	
Scholarship awards	<hr/> (239,000)
Change in Net Position	(27,935)
NET POSITION, beginning of year	<hr/> 739,319
NET POSITION, end of year	<hr/> <hr/> \$ 711,384

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Wichita Falls Independent School District

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

Wichita Falls Independent School District (the District) prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

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 (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity".

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (primary government) and its component units. There are no component units of the District that are required to be presented in the financial statements.

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

Government-Wide and Fund Financial Statements

The statement of net position and the statement of activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed except for interfund services provided and used which are not eliminated. *Governmental activities* include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identified with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including taxes, are reported as *general revenues*.

The fund financial statements provide information on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The emphasis on 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 funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

Wichita Falls Independent School District

Notes to the Financial Statements

Change in Accounting Principle

In fiscal year 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – which supersedes GASB Statement No. 45.

The requirements of Statement No. 75 apply to the financial statements of all state and local government employers whose employees are provided postemployment benefits other than pensions that are administered through trusts or equivalent arrangements, and to the financial statements of state and local government in which the non-employer contributing entity (State) and District have a legal obligation to make contributions directly to such OPEB plan. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to the OPEB plan. Note disclosure and RSI requirements about the OPEB plan also are addressed. The implementation of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively. The calculation of OPEB contributions is unaffected by the change. However, the implementation has resulted in the restatement of the District's beginning net position for the fiscal year 2018 government-wide financial statements to reflect the reporting of net OPEB liability and deferred inflows of resources and deferred outflows of resources for its qualified OPEB plan and the recognition of OPEB expense in accordance with the provisions of the Statement. Net position as of September 1, 2017 was decreased by \$81,388,145 to reflect the cumulative effect of implementation. An aggregate net OPEB liability of \$81,943,059 offset by aggregate deferred outflows of resources of \$554,914 at August 31, 2018 were reported as a prior period adjustment to the net position on September 1, 2017. Refer to Note 9 for more information regarding the District's OPEB plan. At transition, a government recognizes a beginning deferred outflows of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. Since the measurement date of the OPEB plan was different than the District's fiscal year-end, the effects from the plan reported contributions to the plan subsequent to the respective measurement date as an increase in deferred outflows of resources and a decrease in net position. The beginning deferred outflows for OPEB includes contributions from September 1, 2016 through August 31, 2017, totaling \$554,914.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The effect of interfund activity has been eliminated from the government-wide financial statements. Agency funds also use the accrual basis of accounting, however, they have no measurement focus.

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

Wichita Falls Independent School District

Notes to the Financial Statements

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 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.

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

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

Fund Accounting

The District reports the following major governmental funds:

The General Fund

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

Child Nutrition Fund

This fund accounts for the child nutrition program's transactions. The child nutrition fund is considered a special revenue fund because it meets the following criteria: 1) user fees are charged to supplement the national school lunch program (NSLP), 2) the general fund subsidizes the child nutrition program for all expenditures in excess of NSLP, and 3) the District does not consider the child nutrition program completely self-supporting. Child nutrition fund balances are used exclusively for child nutrition program purposes.

Debt Service Fund

The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Capital Projects Funds

The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in the capital projects funds.

Wichita Falls Independent School District

Notes to the Financial Statements

Additionally, the District reports the following fund types:

Governmental Funds

Special Revenue Funds

The District accounts for resources restricted to, or designated for, a specific purpose by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Fund

Internal Service Funds

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

Fiduciary Funds

Private Purpose Trust Funds

The District accounts for donations for which the donor stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's private purpose trust funds include the Ryan Scholarship Fund and Renton Aviation Fund.

Agency Funds

The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency fund is the student activity fund. Agency funds typically involve only the receipt, temporary investment, and remittance of resources to individuals, private organizations, or governments.

Financial Statement Amounts

Cash and Cash Equivalents

For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Investments

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

Inventory and Prepaid Items

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

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

Wichita Falls Independent School District

Notes to the Financial Statements

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which they were imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the general and debt service funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas legislature.

The tax rates assessed for the year ended August 31, 2018 to finance general fund operations and the payment of principal and interest on general obligation debt were \$1.04 and \$0.19 per \$100 valuation, respectively, for a total of \$1.23 per \$100 valuation.

Capital Assets

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

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

Land improvements, buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Building Improvements	20-40
Vehicles	5-10
Other Equipment	5-7
Capital Lease Assets	7-10

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains or losses on refunding are deferred and amortized over the lesser of the remaining life of the old debt or the life of the new debt using the straight line method and are presented as deferred inflows/outflows in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount.

Wichita Falls Independent School District

Notes to the Financial Statements

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

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. School Board Policy contains a provision to compensate all employees in the District for accrued leave days upon retirement. This policy allows any employee who retires from the District through the Teacher Retirement System of Texas (TRS) to receive, following termination of employment, a lump sum payment for accrued leave days.

School Board Policy also contains a provision to compensate all twelve month employees for accrued local and state leave days upon a resignation from the District up to a maximum of 90 days.

Fund Balances and Net Position

Government-Wide Financial Statements

Net position on the statement of net position includes the following:

Net investment in capital assets -- the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, net of premiums and discounts, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for debt service -- the component of net position that reports the difference between assets and liabilities with constraints placed on their use by the bond covenants.

Restricted for federal and state grants -- the component of net position that reports the difference between assets and liabilities with constraints placed on their use by the U.S. Department of Agriculture or other federal and state agencies.

Unrestricted -- the difference between the assets and liabilities that is not reported in net position invested in capital assets, net of related debt, restricted for federal and state grants, net position restricted for food service or net position restricted for debt service.

Governmental Fund Financial Statements

The District classifies governmental fund balances as follows:

Nonspendable -- includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories and prepaid items.

Restricted -- includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes the child nutrition program, retirement of long term debt, construction programs and other federal and state grants.

Wichita Falls Independent School District

Notes to the Financial Statements

Committed -- includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Committed fund balance is reported pursuant to resolution passed by the District's Board of Trustees. At August 31, 2018, the Board has committed fund balances as follows:

	General Fund	Other Governmental Funds	Totals
Self-insurance	\$ 100,000	\$ -	\$ 100,000
Accumulated sick leave benefits obligations	1,115,655	-	1,115,655
Campus Activity Funds	-	626,994	626,994
Totals	\$ 1,215,655	\$ 626,994	\$ 1,842,649

Assigned -- includes fund balance amounts that are self-imposed by the District to be used for a particular purpose. Fund balance can be assigned by the District's Board, the Superintendent, or the Assistant Superintendent of Finance and Human Resources. This classification includes insurance deductibles, encumbrances, program start-up costs, projected budget deficit for subsequent years and other legal uses.

Unassigned -- includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The order of spending is to first use committed fund balance, then assigned fund balance, and last of all, unassigned fund balance. Restricted fund balance will be used before the unrestricted portion.

Interfund Activities

Interfund activity results from loans, service 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 "transfer" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "internal balances" line on the government-wide statement of net position.

Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the Resource Guide. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Account Code Reporting

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the state auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Resource Guide*. Mandatory codes are utilized in the form provided in that section.

Wichita Falls Independent School District

Notes to the Financial Statements

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, 2018 will change.

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.

Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Note 2. Cash, Cash Equivalents and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be 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.

Wichita Falls Independent School District

Notes to the Financial Statements

Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. For fiscal year 2018, the District invested in TexPool and TexasTERM.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs - other than quoted prices included within Level 1- that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District's investments are in investment pools and are not subject to fair value measurements and are not required to be reported by levels.

TexasTERM Local Government Investment Pool (TexasTERM) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (PFIA). TexasTERM offers a series of professionally managed portfolios that are available to municipalities, counties, school districts, special districts and other governmental entities in the State of Texas. An Advisory Board is responsible for the overall management of TexasTERM. With respect to TexasTERM, the Advisory Board's responsibilities include the formulation and implementation of its investment and operating policies. TexasTERM complies with statutory investment restrictions for Texas local governments as provided in the PFIA. The Investment Advisor and Administrator for TexasTERM is PFM Asset Management LLC. Weighted average maturity for TexasTERM is 35 days.

The District is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. Weighted average maturity for TexPool is 28 days.

Wichita Falls Independent School District

Notes to the Financial Statements

Cash and investments as of August 31, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 3,473,045
Investments	28,627,832
Fiduciary funds:	
Cash and cash equivalents	<u>1,019,314</u>
Total cash and investments	<u>\$ 33,120,191</u>
Cash on hand	\$ 9,212
Deposits with financial institutions	4,483,147
Investments	<u>28,627,832</u>
Total cash and investments	<u>\$ 33,120,191</u>

Credit Risk

For fiscal year 2018, the District invested in TexasTERM and Texpool Investment Pool. The TexasTERM portfolio is a fixed rate, fixed term portfolio option rated AA+ by Standard & Poor's rating agency. TexPool is rated AA+ by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investments. The District monitors interest rate risk and at year end, was not exposed to interest rate risk.

Concentration of Credit Risk

The District's investment policy dictates that no individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2018, the District's bank balance of \$5,823,992, including fiduciary activity, was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent and in the District's name. With the exception of the date of highest balance, December 14, 2017, the District was fully insured by federal depository insurance or collateralized with securities pledged to the District throughout the year.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk due to the investments are insured or registered, or securities held by the District or its agent in the District's name.

Wichita Falls Independent School District

Notes to the Financial Statements

Note 3. Interfund Receivables, Payables, and Transfers

Interfund balances at August 31, 2018 consisted of the following individual fund receivables and payables:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>	<u>Primary Purpose</u>
General Fund	Child Nutrition Fund	\$ 99,766	Short-term borrowing
General Fund	Internal Service Funds	2,621,937	Short-term borrowing
Nonmajor Governmental Funds	General Fund	2,400,885	Short-term borrowing
Child Nutrition Fund	General Fund	25,588	Short-term borrowing
Internal Service Fund	General Fund	426,326	Short-term borrowing
Capital Projects Fund	General Fund	646,366	Short-term borrowing
		<u>\$ 6,220,868</u>	

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

The detail transfer schedule for the year ended August 31, 2018 includes the following:

<u>Transferred From</u>	<u>Transferred To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 3,809,000	Supplement other funds
Child Nutrition Fund	General Fund	193,000	Supplement other funds
Capital Projects Fund	General Fund	646,366	Close out bond fund
		<u>\$ 4,648,366</u>	

Wichita Falls Independent School District

Notes to the Financial Statements

Note 4. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2018, was as follows:

	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 11,868,728	\$ 146,378	\$ -	\$ 12,015,106
Construction in progress	27,604,764	-	(27,093,469)	511,295
Total capital assets not being depreciated	39,473,492	146,378	(27,093,469)	12,526,401
Capital assets being depreciated:				
Buildings and improvements	173,293,495	1,867,098	27,093,469	202,254,062
Furniture and equipment	16,184,382	1,635,602	-	17,819,984
Property under capital lease	2,682,717	-	-	2,682,717
Total capital assets being depreciated	192,160,594	3,502,700	27,093,469	222,756,763
Less accumulated depreciation for:				
Buildings and improvements	73,898,242	5,440,224	-	79,338,466
Furniture and equipment	14,074,375	1,241,118	-	15,315,493
Property under capital lease	424,381	181,443	-	605,824
Total accumulated depreciation	88,396,998	6,862,785	-	95,259,783
Total capital assets being depreciated, net	103,763,596	(3,360,085)	27,093,469	127,496,980
Governmental activities capital assets, net	\$ 143,237,088	\$ (3,213,707)	\$ -	\$ 140,023,381

Wichita Falls Independent School District

Notes to the Financial Statements

Depreciation expense was charged to governmental functions as follows:

Governmental Function	Depreciation
Instruction	\$ 3,883,578
Instructional resources and media services	71,451
Curriculum and staff development	109,528
Instructional leadership	147,534
School leadership	367,607
Guidance, counseling and evaluation services	284,021
Social work services	28,404
Health services	79,562
Student transportation	180,116
Food services	379,479
Co-curricular/ Extracurricular activities	199,018
General administration	328,823
Plant maintenance and operations	603,020
Security and monitoring services	39,220
Data processing services	139,590
Community services	21,834
Total depreciation expense	\$ 6,862,785

Note 5. Long-Term Debt

Long-term obligation activity

Long-term obligation activities during the year ended August 31, 2018, were as follows:

	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 85,275,000	\$ -	\$ (4,815,000)	\$ 80,460,000	\$ 4,990,000
Bond premium (discount)	8,043,357	-	(998,057)	7,045,300	-
Total bonds payable	93,318,357	-	(5,813,057)	87,505,300	4,990,000
Note payable	9,000,000	-	(920,000)	8,080,000	940,000
Capital leases payable	1,364,855	-	(306,781)	1,058,074	263,853
Compensated absences	1,280,505	552,987	(717,837)	1,115,655	204,627
Total long-term liabilities	\$ 104,963,717	\$ 552,987	\$ (7,757,675)	\$ 97,759,029	\$ 6,398,480

The District issues unlimited tax bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. Unlimited tax bonds are direct obligations and pledge the full faith and credit of the District. Bonded indebtedness of the District is reflected in the statement of net position. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

Wichita Falls Independent School District

Notes to the Financial Statements

Unlimited tax bonds and the maintenance tax note outstanding as of August 31, 2018 are as follows:

Purpose and Lawful Authority	Interest Rate	Amount	Amounts			Amounts Outstanding 8/31/2018
			Outstanding 8/31/2017	Issued	Retired	
Unlimited Tax Refunding Bonds, Series 2015	2.125% to 5.00%	35,350,000	35,350,000	-	2,925,000	32,425,000
Unlimited Tax School Building Bonds, Series 2015	1.00% to 5.00%	53,645,000	49,925,000	-	1,890,000	48,035,000
Maintenance Tax Notes, Series 2016	2.00%	9,000,000	9,000,000	-	920,000	8,080,000
			<u>\$ 94,275,000</u>	<u>\$ -</u>	<u>\$ 5,735,000</u>	<u>\$ 88,540,000</u>

Debt service requirements are as follows:

Years Ending August 31,	Principal Requirements	Interest Requirements	Total Requirements
2019	\$ 5,930,000	\$ 3,566,225	\$ 9,496,225
2020	6,175,000	3,323,175	9,498,175
2021	6,445,000	3,052,625	9,497,625
2022	6,655,000	2,837,506	9,492,506
2023	6,865,000	2,632,081	9,497,081
2024 - 2028	32,305,000	8,660,925	40,965,925
2029 - 2033	16,390,000	4,033,925	20,423,925
2034 - 2036	7,775,000	393,625	8,168,625
	<u>\$ 88,540,000</u>	<u>\$ 28,500,087</u>	<u>\$ 117,040,087</u>

There are a number of limitations and restrictions contained in the unlimited tax school building and refunding bond indentures. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2018.

Note 6. Capital Leases

The District is obligated under certain leases that meet the criteria to be accounted for as capital leases. The leased assets have a stated cost of \$2,682,717 and the interest rates range from 1.38% to 3.35%. Future minimum lease payments are as follows:

Years Ending August 31,	Principal Requirements	Interest Requirements	Total Requirements
2019	\$ 263,853	\$ 17,415	\$ 281,268
2020	268,815	12,453	281,268
2021	273,870	7,398	281,268
2022	194,607	2,649	197,256
2023	56,929	259	57,188
	<u>\$ 1,058,074</u>	<u>\$ 40,174</u>	<u>\$ 1,098,248</u>

Wichita Falls Independent School District

Notes to the Financial Statements

Note 7. Revenue from Local and Intermediate Sources

During the year ended August 31, 2018, the District received revenues from local and intermediate sources consisting of the following:

	General Fund	Child Nutrition Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Property taxes-current	\$ 43,322,638	\$ -	\$ 7,914,302	\$ -	\$ -	\$ 51,236,940
Property taxes-delinquent	946,150	-	162,853	-	-	1,109,003
Penalties, interest, and other	527,273	-	75,377	-	-	602,650
Investment earnings	542,916	9,659	29,065	13,902	-	595,542
Rent	148,855	-	-	-	-	148,855
Food service income	-	1,339,768	-	-	-	1,339,768
Gifts and bequest	39,694	-	-	-	904,698	944,392
Campus activity	-	-	-	-	505,514	505,514
Cocurricular/extracurricular activities	355,200	-	-	-	-	355,200
Other	127,566	-	-	-	438,223	565,789
Total local revenue	\$ 46,010,292	\$ 1,349,427	\$ 8,181,597	\$ 13,902	\$ 1,848,435	\$ 57,403,653

Note 8. Employees' Retirement Plan

A. Plan Description

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

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

B. 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 (CAFR) 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> or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

C. 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.

Wichita Falls Independent School District

Notes to the Financial Statements

Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

D. 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 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates	
	2017	2018
Member	7.7%	7.7%
Non-employer contributing entity (state)	6.8%	6.8%
Employers	6.8%	6.8%
2018 District contributions	\$	2,582,174
2018 Member contributions		6,317,448
2018 MNECE on-behalf contributions (State)		4,038,851

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.

Wichita Falls Independent School District

Notes to the Financial Statements

- 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.

E. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age norma
Asset valuation method	Market value
Single discount rate	8.0%
Long-term expectation investment rate of return	8.0%
Inflation	2.5%
Salary increases includes inflation	3.5% to 9.5%
Payroll growth rate	2.5%
Benefit changes during the year	None
Ad-hoc post-employment banafit changes	None

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

F. 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.

Wichita Falls Independent School District

Notes to the Financial Statements

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long- Term Portfolio Returns*
Global equity			
U.S	18.0%	4.6%	1.0%
Non-U.S. developed	13.0%	5.1%	0.8%
Emerging markets	9.0%	5.9%	0.7%
Directional hedge funds	4.0%	3.2%	0.1%
Private equity	13.0%	7.0%	1.1%
Stable value			
U.S. treasuries	11.0%	0.7%	0.1%
Absolute return	0.0%	1.8%	0.0%
Hedge funds (stable value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real return			
Global inflation linked-bonds	3.0%	0.9%	0.0%
Real assets	16.0%	5.1%	1.1%
Energy and natural resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk parity			
Risk parity	5.0%	6.7%	0.3%
Inflation expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

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

G. 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 Net Pension Liability.

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$42,468,395	\$25,191,798	\$10,806,228

Wichita Falls Independent School District

Notes to the Financial Statements

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

At August 31, 2018, the District reported a liability of \$25,191,798 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 are as follows:

District's proportionate share of the collective net pension liability	\$	25,191,798
State's proportionate share that is associated with District		<u>39,446,573</u>
Total	\$	<u><u>64,638,371</u></u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the District's proportion of the collective net pension liability was 0.0787869% which was an increase of .0051516% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation. There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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, 2018, the District recognized pension expense of \$4,410,555 and revenue of \$3,008,828 for support provided by the state.

At August 31, 2018, 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	\$ 368,567	\$ 1,358,561
Changes in actuarial assumptions	1,147,526	656,932
Difference between projected and actual investment earnings	-	1,835,923
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	6,214,175	1,625
Contributions paid to TRS subsequent to the measurement date	<u>2,559,998</u>	<u>-</u>
Total	<u><u>\$ 10,290,266</u></u>	<u><u>\$ 3,853,041</u></u>

Wichita Falls Independent School District

Notes to the Financial Statements

\$2,559,998 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense (income) as follows:

Year Ending August 31,	Pension Expense (Income)
2019	\$ 635,061
2020	2,243,119
2021	511,505
2022	17,153
2023	294,894
Thereafter	175,495
Total	\$ 3,877,227

Note 9. Defined Other Post-Employment Benefit Plan

A. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

B. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS 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.

C. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

Wichita Falls Independent School District

Notes to the Financial Statements

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates
Effective September 1, 2016-December 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 2 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and spouse	20	175	255
Retiree* and children	41	132	182
Retiree and family	61	237	337
Surviving children only	28	62	82

* or surviving spouse

D. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	2018	2017
Active employee	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.00%
Employers/District	0.75%	0.55%
Federal/private funding remitted by Employers	1.25%	1.00%

The contribution amounts for the District's fiscal year 2018 are as follows:

2018 District contributions	\$ 729,149
2018 Member contributions	533,291
2018 NECE on-behalf contributions (state)	1,610,627

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

Wichita Falls Independent School District

Notes to the Financial Statements

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

E. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Expected payroll growth
Rates of disability incidence	

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Inflation	2.50%
Discount rate*	3.42%*
Aging factors	Based on plan specific experience
Expenses	third-party administrative expenses
related to the delivery of health care benefits are included	in the age- adjusted claims costs.
Payroll growth rate	2.50%
Projected salary increases**	3.50% to 9.50%**
Healthcare trend rates***	4.50% to 12.00%***
Election Rates Normal retirement: 70% participation prior to age 65 and 75% participation after age 65	
Ad hoc post-employment benefit changes	None

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.

**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retiree; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

F. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan's fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Wichita Falls Independent School District

Notes to the Financial Statements

G. Sensitivity of the Net OPEB Liability

Discount Rate

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

Sensitivity of the Net OPEB Liability
to the Single Discount Rate Assumptions

1% Decrease (2.42%)	Current Discount Rate (3.42%)	1% Increase (4.42%)
\$ 54,781,036	\$ 46,414,842	\$ 39,690,308

Healthcare Cost Trend Rates

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed health-care cost trend rate.

Sensitivity of the Net OPEB Liability to
the Healthcare Cost Trend Rate Assumption

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 38,644,993	\$ 46,414,842	\$ 56,609,863

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2018, the District reported a liability of \$46,414,842 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 46,414,842
State's proportionate share of the net OPEB liability associated with the District	60,491,454
	<u>\$ 106,906,296</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.1067345% which was the same proportion measured as of August 31, 2016.

Wichita Falls Independent School District

Notes to the Financial Statements

Changes since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

GASB 75 requires the District to record OPEB expense for the amount of the State's proportionate share of the collective OPEB expense that is allocated to the District and record revenue in the same amount for the support provided for the State. For the measurement period ended August 31, 2017, the State's proportionate share of the collective OPEB expense was a negative expense of \$8,504,163,580 and the District's proportionate share is a negative \$20,242,049. The amount is recorded as a negative revenue and negative expense for the District's year ended August 31, 2018.

For the fiscal year ended August 31, 2018, the District recognized total negative OPEB expense of \$36,536,648, which includes both the District's proportionate share of the collective OPEB expense and the State's proportionate share of the collective OPEB expense that is allocated to the District as described above.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ -	\$ 968,945
Changes of assumptions	-	18,446,471
Net difference between projected and actual earnings on pension plan investments	7,051	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	212	-
District contributions after measurement date	729,149	-
	<u>\$ 736,412</u>	<u>\$ 19,415,416</u>

Wichita Falls Independent School District

Notes to the Financial Statements

\$729,149 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending August 31,	
2019	\$ (2,560,927)
2020	(2,560,927)
2021	(2,560,927)
2022	(2,560,927)
2023	(2,562,690)
Thereafter	<u>(6,601,755)</u>
	<u>\$ (19,408,153)</u>

Note 10. Risk Management

Self-insured Worker's Compensation Plan

The District maintains a self-insured worker's compensation plan. The District has third party insurance coverage for any losses in excess of \$350,000 per claim and a maximum of \$1,000,000 per claim. The District is responsible for claims up to \$350,000 per claim.

As of August 31, 2018, the worker's compensation benefit obligation consisted of \$432,000 in reported claims and estimated incurred but not reported claims. These amounts represent estimated ultimate costs to settle claims. A summary of the changes in the benefit obligation is as follows:

	2018	2017
Claims payable, beginning of year	\$ 730,000	\$ 505,000
Claims incurred	393,000	622,000
Claim payments	(588,000)	(397,000)
Excess coverage	<u>(103,000)</u>	<u>-</u>
Claims payable, end of year	<u>\$ 432,000</u>	<u>\$ 730,000</u>

Other Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Wichita Falls Independent School District

Notes to the Financial Statements

Note 11. Commitments and Contingencies

The District is a party to various legal actions, none of which are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies. The District participates in numerous state and federal grant programs that 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018 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 financial statements for such contingencies.

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments that exceed bond issue stated interest rates. There is a complicated formula based on a five year history, therefore the exact amount of liability, if any, is not known until five years from the bond issuance date. There was no rebate liability as of August 31, 2018.

The District entered into a variety of construction related contracts through August 31, 2018. The remaining commitment is \$99,500.

Note 12. Shared Service Arrangement

The District is the fiscal agent for a Shared Service Arrangement which provides a regional day school for the deaf to member districts. All services are provided by the District as a fiscal agent. The member districts provide funds to the fiscal agent for operations. According to TEA guidance, the District has accounted for the fiscal agent activities of the SSA in special revenue funds 315, 316, 317, and 435 and such activities have been accounted for using Module 3 in the SSA section of TEA's Resource Guide. These expenditures of the SSA are summarized as follows:

Member Districts	#315	#435	Totals
Big Four Special Education Coop	\$ 2,589	\$ 25,348	\$ 27,937
Burkburnett ISD	3,883	54,226	58,109
Clay-Jack Coop	6,472	81,788	88,260
Graham ISD	1,294	42,416	43,710
Greenbelt Coop	647	6,974	7,621
Haskell/Knox Coop	-	5,225	5,225
Montague County Coop	6,472	76,099	82,571
Vernon ISD	1,294	14,412	15,706
West Wichita County Coop	6,795	95,790	102,585
Wichita Falls ISD	16,211	290,710	306,921
Totals	\$ 45,657	\$ 692,988	\$ 738,645

Wichita Falls Independent School District

Notes to the Financial Statements

Note 13. Prior Period Adjustment

Net position at September 1, 2017 was restated per the following table for the implementation of GASB 75:

	<u>Governmental Activities</u>
Beginning net position, as previously reported	\$ 53,812,598
Implementation of GASB 75 for OPEB	<u>(81,388,145)</u>
Beginning net position, restated	<u><u>\$ (27,575,547)</u></u>

Note 14. Nonmonetary Transactions

During 2018, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$483,336. The district receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$483,336 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

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Required Supplementary Information

Wichita Falls Independent School District
 Budgetary Comparison Schedule – General Fund – Continued
 For the Fiscal Year Ended August 31, 2018

Exhibit G-1
 Page 1 of 2

Data Control Codes		Budgeted Amounts			Variance With Final Budget Positive (Negative)
		1	2	3	
		Original	Final	Actual	
REVENUES					
5700	Local and intermediate sources	\$ 44,777,897	\$ 45,186,173	\$ 46,010,292	\$ 824,119
5800	State program revenues	60,537,199	60,537,199	62,401,874	1,864,675
5900	Federal program revenues	3,038,862	3,038,862	4,616,616	1,577,754
5020	Total revenues	108,353,958	108,762,234	113,028,782	4,266,548
EXPENDITURES					
Current:					
Instruction & instructional related services:					
0011	Instruction	65,241,941	65,155,514	67,395,045	(2,239,531)
0012	Instructional resources and media services	1,376,995	1,290,027	1,308,710	(18,683)
0013	Curriculum and staff development	1,187,298	1,351,193	1,307,045	44,148
	Total instruction & inst. related services	67,806,234	67,796,734	70,010,800	(2,214,066)
Instructional and school leadership:					
0021	Instructional leadership	2,075,616	2,153,522	2,087,261	66,261
0023	School leadership	6,572,954	6,567,203	6,808,472	(241,269)
	Total instructional & school leadership	8,648,570	8,720,725	8,895,733	(175,008)
Support services - student (pupil) :					
0031	Guidance, counseling, and evaluation services	3,536,668	3,523,415	3,857,605	(334,190)
0032	Social work services	277,806	281,560	290,260	(8,700)
0033	Health services	1,488,714	1,523,969	1,548,121	(24,152)
0034	Student transportation	2,808,500	3,802,857	3,511,893	290,964
0036	Cocurricular/extracurricular activities	3,198,878	3,429,820	3,434,997	(5,177)
	Total support services - student (pupil)	11,310,566	12,561,621	12,642,876	(81,255)
Administration support services:					
0041	General administration	4,214,046	3,869,596	3,804,475	65,121
	Total administrative support service	4,214,046	3,869,596	3,804,475	65,121
Support services:					
0051	Facilities maintenance and operations	11,231,550	11,812,157	11,687,855	124,302
0052	Security and monitoring services	344,177	674,391	764,710	(90,319)
0053	Data processing services	2,851,399	2,796,892	2,721,718	75,174
	Total support services - nonstudent based	14,427,126	15,283,440	15,174,283	109,157
Ancillary services:					
0061	Community services	2,350	7,440	3,922	3,518
	Total ancillary services	2,350	7,440	3,922	3,518
Debt service:					
0071	Principal on long-term debt	1,158,984	1,178,984	1,178,983	1
0072	Interest on long-term debt	193,086	193,086	193,085	1
	Total debt services	1,352,070	1,372,070	1,372,068	2
Capital outlay:					
0081	Capital outlay	1,891,146	2,080,383	986,531	1,093,852
	Total capital outlay	1,891,146	2,080,383	986,531	1,093,852
Intergovernmental charges:					
0093	Payments to fiscal agent/member dist. - SSA	97,000	97,000	84,866	12,134
0095	Payments related to juvenile justice alternative education program	12,000	12,000	11,911	89
0099	Other intergovernmental charges	552,000	552,000	545,411	6,589
	Total intergovernmental charges	661,000	661,000	642,188	18,812
6030	Total expenditures	110,313,168	112,335,009	113,532,876	(1,197,867)

Wichita Falls Independent School District
 Budgetary Comparison Schedule – General Fund – Continued
 For the Fiscal Year Ended August 31, 2018

Exhibit G-1
 Page 2 of 2

Data Control Codes		Budgeted Amounts		3 Actual	Variance With Final Budget Positive (Negative)
		1 Original	2 Final		
1100	Excess (deficiency) of revenues over (under) expenditures	(1,959,150)	(3,590,775)	(504,094)	3,086,681
OTHER FINANCING SOURCES (USES)					
7912	Sale of real or personal property	50,000	50,000	19,550	(30,450)
7915	Transfers in	413,000	413,000	839,366	426,366
8911	Transfers out	(175,000)	(3,809,000)	(3,809,000)	-
7080	Total other financing sources (uses)	288,000	(3,346,000)	(2,950,084)	395,916
1200	Net change in fund balance	(1,671,150)	(6,936,775)	(3,454,178)	3,482,597
0100	FUND BALANCES, beginning	26,545,563	26,545,563	26,545,563	-
3000	FUND BALANCES, ending	<u>\$ 24,874,413</u>	<u>\$ 19,608,788</u>	<u>\$ 23,091,385</u>	<u>\$ 3,482,597</u>

Wichita Falls Independent School District
 Budgetary Comparison Schedule – Child Nutrition Fund
 For the Fiscal Year Ended August 31, 2018

Exhibit G-2

Data Control Codes		1		2	3	Variance With
		Budgeted Amounts		Final	Actual	Final Budget Positive (Negative)
		Original				
REVENUES						
5700	Total local and intermediate sources	\$ 1,700,968	\$ 1,705,968	\$ 1,349,427	\$ (356,541)	
5800	State program revenues	206,000	206,000	37,366	(168,634)	
5900	Federal program revenues	6,767,776	6,767,776	5,716,902	(1,050,874)	
5020	Total revenues	8,674,744	8,679,744	7,103,695	(1,576,049)	
EXPENDITURES						
0035	Food service	8,180,252	8,185,252	7,839,537	345,715	
6030	Total expenditures	8,180,252	8,185,252	7,839,537	345,715	
1100	Excess of revenues over expenditures	494,492	494,492	(735,842)	(1,230,334)	
OTHER FINANCING SOURCES (USES)						
7912	Sale of property	-	-	198	198	
8911	Transfers out	(193,000)	(193,000)	(193,000)	-	
6030	Total other financing sources (uses)	(193,000)	(193,000)	(192,802)	198	
1200	Net change in fund balances	301,492	301,492	(928,644)	(1,230,136)	
0100	FUND BALANCE, beginning	2,031,509	2,031,509	2,031,509	-	
3000	FUND BALANCE, ending	\$ 2,333,001	\$ 2,333,001	\$ 1,102,865	\$ (1,230,136)	

Wichita Falls Independent School District

Exhibit G-3

Schedule of the District's Proportionate
Share of the Net Pension Liability - TRS
For the Fiscal Year Ended August 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0787869%	0.0736353%	0.0768421%	0.0469081%
District's proportionate share of net pension liability	\$ 25,191,798	\$ 27,825,674	\$ 27,162,660	\$ 12,529,802
State's proportionate share of the net pension liability associated with the District	<u>39,446,573</u>	<u>48,749,401</u>	<u>46,921,674</u>	<u>41,778,062</u>
TOTAL	<u>\$ 64,638,371</u>	<u>\$ 76,575,075</u>	<u>\$ 74,084,334</u>	<u>\$ 54,307,864</u>
District's covered employee payroll	\$ 81,886,153	\$ 78,562,967	\$ 77,683,359	\$ 74,925,429
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	30.76%	35.42%	34.97%	16.72%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68,81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2017 - the period from September 1, 2016 - August 31, 2017.

Note: Ten years of data is not available.

Wichita Falls Independent School District
 Schedule of the District's Contributions- TRS
 For the Year Ended August 31, 2018

Exhibit G-4

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,559,998	\$ 2,687,750	\$ 2,445,845	\$ 2,258,375
Contribution in relation to the contractually required contribution	<u>(2,559,998)</u>	<u>(2,687,750)</u>	<u>(2,445,845)</u>	<u>(2,258,375)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 82,044,781	\$ 81,886,153	\$ 78,562,967	\$ 77,683,359
Contributions as a percentage of covered employee payroll	3.12%	3.28%	3.11%	2.91%

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2016 - August 31, 2017.

Note: Ten years of data is not available.

Wichita Falls Independent School District**Exhibit G-5**

Schedule of the District's Proportionate Share of the Net OPEB
Liability of a Cost-Sharing Multiple-Employer OPEB Plan
Teacher Retirement System of Texas
For the Year Ended August 31, 2018

District's proportion of the net OPEB liability	0.1067345%
District's proportionate share of net OPEB liability	\$ 46,414,842
State's proportionate share of the net OPEB liability associated with the District	<u>60,491,454</u>
TOTAL	<u><u>\$ 106,906,296</u></u>
District's covered employee payroll	\$ 81,886,153
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	56.68%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

Note: The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, August 31, of the prior year. Ten years of data is not available.

Wichita Falls Independent School District
 Schedule of the District's Contributions to the
 Teacher Retirement System of Texas OPEB Plan
 For the Year Ended August 31, 2018

Exhibit G-6

Contractually required contribution	\$ 729,149
Contribution in relation to the contractually required contribution	<u>(729,149)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u><u>\$ -</u></u>
District's covered employee payroll	\$ 82,044,781
Contributions as a percentage of covered employee payroll	0.89%

Note: The amounts presented for the fiscal year were determined as of the District's fiscal year end August 31, 2018. Ten years of data is not available.

Wichita Falls Independent School District
 Notes to the Required Supplementary Information

Note 1. Budgetary Data

A. Budgetary Information

The official budget was prepared for adoption for the general, child nutrition, and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
2. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
3. Prior to September 1, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the functional level by personnel responsible for the organizational financial reporting.

B. Variances with Budget

Negative budget variances were noted in the following functions. These functions' expenditures exceeded appropriations due to the payroll costs during 2017-2018.

Function	Final Budget	ACTUAL Expenditures	Variance
Instruction	\$ 65,155,514	\$ 67,395,045	\$ (2,239,531)
Instructional resources and media services	1,290,027	1,308,710	(18,683)
School leadership	6,567,203	6,808,472	(241,269)
Guidance, counseling, and evaluation services	3,523,415	3,857,605	(334,190)
Social work services	281,560	290,260	(8,700)
Health services	1,523,969	1,548,121	(24,152)
Cocurricular/extracurricular activities	3,429,820	3,434,997	(5,177)
Security and monitoring services	674,391	764,710	(90,319)

Wichita Falls Independent School District
Notes to the Required Supplementary Information

Note 2. Defined Benefit Pension Plan

TRS – Actuarial Assumptions for Contribution Rate

Actuarial Assumptions – The information presented in the following table was used in the actuarial valuation for determining the actuarially determined contribution rate. The assumptions are as follows:

Valuation date	August 31, 2017
Actuarial cost method	Ultimate entry age normal
Amortization method	Level percentage of payroll, floating
Remaining amortization period	34 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Inflation	2.50%
Salary increases	3.50% to 9.50% including inflation
Investment rate of return	8.0%

** Actuarial determined contribution rates are calculated as of August 31, of the proceeding fiscal year. Members and employees are based upon statutorily fixed rates.

Combining Statements and Schedules

Wichita Falls Independent School District

Combining Balance Sheet
 Nonmajor Governmental Funds
 August 31, 2018

Data Control Codes	205	206	211	213	
	Head Start	ESEA Title X Part C Homeless	ESEA Title I Improving Basic Programs	ESEA Title I Part B - Even St. Family Literacy	
ASSETS					
1110	Cash and cash equivalents	\$ 3,037	\$ 140	\$ 15,585	\$ 7
1240	Due from other governments	636,166	7,811	573,513	40,897
1290	Other receivables	-	-	-	2,600
1300	Inventories	-	-	-	-
1000	Total assets	639,203	7,951	589,098	43,504
LIABILITIES					
Current liabilities					
2110	Accounts payable	4,553	1,341	6,419	127
2160	Accrued wages payable	159,225	1,179	123,024	-
2170	Due to other funds	1,011,730	5,431	459,655	43,377
2180	Due to other governments	-	-	-	-
2300	Unearned revenues	-	-	-	-
2000	Total liabilities	1,175,508	7,951	589,098	43,504
FUND BALANCES					
Restricted fund balances					
3450	Federal/state funds grant restrictions	-	-	-	-
Committed fund balances:					
3545	Other committed fund balance	-	-	-	-
	Unassigned	(536,305)	-	-	-
3000	Total fund balances	(536,305)	-	-	-
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 639,203</u>	<u>\$ 7,951</u>	<u>\$ 589,098</u>	<u>\$ 43,504</u>

215 ESEA Title I Part A Capital Expenses	224 IDEA-B Formula	225 IDEA-B Preschool Grant	244 Career and Tech Basic Grant
\$ 3,404	\$ 9,992	\$ 150	\$ 269
11,327	370,574	4,903	18,224
93	-	-	-
-	-	-	-
14,824	380,566	5,053	18,493
-	3,493	-	952
4,568	56,361	3,085	-
10,256	320,712	1,968	17,541
-	-	-	-
-	-	-	-
14,824	380,566	5,053	18,493
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 14,824	\$ 380,566	\$ 5,053	\$ 18,493

Wichita Falls Independent School District
Combining Balance Sheet – Continued
Nonmajor Governmental Funds
August 31, 2018

Data Control Codes		263 Title III Part A Language	272 MAC Program	287/291 Department of Defense Grant	288 HIPPY Grant
ASSETS					
1110	Cash and cash equivalents	\$ 229	\$ 228,302	\$ -	\$ 234
1240	Due from other governments	15,602	-	20,176	77,888
1290	Other receivables	719	-	-	-
1300	Inventories	-	-	-	-
1000	Total assets	16,550	228,302	20,176	78,122
LIABILITIES					
Current liabilities					
2110	Accounts payable	-	586	-	1,123
2160	Accrued wages payable	-	-	4,612	-
2170	Due to other funds	16,550	-	15,564	75,242
2180	Due to other governments	-	728	-	1,757
2300	Unearned revenues	-	226,988	-	-
2000	Total liabilities	16,550	228,302	20,176	78,122
FUND BALANCES					
Restricted fund balances					
3450	Federal/state funds grant restrictions	-	-	-	-
Committed fund balances:					
3545	Other committed fund balance	-	-	-	-
	Unassigned	-	-	-	-
3000	Total fund balances	-	-	-	-
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 16,550	\$ 228,302	\$ 20,176	\$ 78,122

289	315	316	317	340	397
Summer School	IDEA-B Discretionary	IDEA-B Deaf	IDEA-B Preschool Deaf	IDEA-C Deaf	Advanced Placement Incentives
\$ 2,499	\$ 267	\$ 18	\$ -	\$ -	\$ 23,515
25,259	11,863	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
27,758	12,130	18	-	-	23,515
-	296	18	-	-	23,515
-	-	-	-	-	-
27,758	11,834	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
27,758	12,130	18	-	-	23,515
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 27,758	\$ 12,130	\$ 18	\$ -	\$ -	\$ 23,515

Wichita Falls Independent School District
Combining Balance Sheet – Continued
Nonmajor Governmental Funds
August 31, 2018

Data Control Codes	410 State Textbook Fund	415 Kindergarten and Pre-K Grant	427 HOPE Grant	429 State Funded Special Revenue Fund	
ASSETS					
1110	Cash and cash equivalents	\$ 52,424	\$ -	\$ -	\$ 13,215
1240	Due from other governments	-	50	36,954	-
1290	Other receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total assets	<u>52,424</u>	<u>50</u>	<u>36,954</u>	<u>13,215</u>
LIABILITIES					
Current liabilities					
2110	Accounts payable	-	-	584	4,632
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	2,653	31,986	163
2180	Due to other governments	-	-	-	-
2300	Unearned revenues	<u>14,766</u>	<u>-</u>	<u>-</u>	<u>19,649</u>
2000	Total liabilities	<u>14,766</u>	<u>2,653</u>	<u>32,570</u>	<u>24,444</u>
FUND BALANCES					
Restricted fund balances					
3450	Federal/state funds grant restrictions	37,658	-	4,384	-
Committed fund balances:					
3545	Other committed fund balance	-	-	-	-
	Unassigned	<u>-</u>	<u>(2,603)</u>	<u>-</u>	<u>(11,229)</u>
3000	Total fund balances	<u>37,658</u>	<u>(2,603)</u>	<u>4,384</u>	<u>(11,229)</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 52,424</u></u>	<u><u>\$ 50</u></u>	<u><u>\$ 36,954</u></u>	<u><u>\$ 13,215</u></u>

435 Regional Day School for the Deaf	461 Campus Activity Funds	480 No Kid Hungry Grant	489 West Foundation	499 CIS	Total Nonmajor Governmental Funds
\$ 106	\$ 647,237	\$ 34	\$ 161,562	\$ 5,692	\$ 1,172,393
223,055	-	-	-	-	2,230,296
-	(1,774)	-	-	-	1,638
-	-	-	8,873	-	8,873
<u>223,161</u>	<u>645,463</u>	<u>34</u>	<u>170,435</u>	<u>5,692</u>	<u>3,413,200</u>
-	-	-	87	-	47,726
59,991	-	-	-	-	412,196
156,059	31,929	-	119	-	2,400,885
-	-	-	-	-	2,485
-	-	-	160,853	5,692	427,948
<u>216,050</u>	<u>31,929</u>	<u>-</u>	<u>161,059</u>	<u>5,692</u>	<u>3,291,240</u>
7,111	-	34	9,376	-	58,563
-	613,534	-	-	-	613,534
-	-	-	-	-	(550,137)
<u>7,111</u>	<u>613,534</u>	<u>34</u>	<u>9,376</u>	<u>-</u>	<u>121,960</u>
<u>\$ 223,161</u>	<u>\$ 645,463</u>	<u>\$ 34</u>	<u>\$ 170,435</u>	<u>\$ 5,692</u>	<u>\$ 3,413,200</u>

Wichita Falls Independent School District

Combining Statement of Revenues, Expenditures and Changes
In Fund Balance – Nonmajor Governmental Funds
For the Fiscal Year Ended August 31, 2018

Data Control Codes		205	206	211	213
		Head Start	ESEA Title X Part C Homeless	ESEA Title I Improving Basic Programs	ESEA Title I Part B - Even St. Family Literacy
REVENUES					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	2,128,828	29,726	3,688,320	275,287
5020	Total revenues	2,128,828	29,726	3,688,320	275,287
EXPENDITURES					
Current:					
0011	Instruction	1,939,262	8,476	2,840,701	253,020
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	14,985	-	281,189	22,267
0021	Instructional leadership	16,861	-	492,407	-
0023	School leadership	290,915	-	19,958	-
0031	Guidance, counseling, and evaluation service	120,389	-	-	-
0032	Social work services	211,950	20,832	30,770	-
0033	Health services	3,180	-	-	-
0035	Food services	-	-	-	-
0036	Cocurricular/extracurricular activities	-	-	-	-
0041	General administration	-	418	1,107	-
0051	Facilities maintenance and operations	67,279	-	-	-
0061	Community services	312	-	22,188	-
0093	Payments to member districts of SSA	-	-	-	-
6030	Total expenditures	2,665,133	29,726	3,688,320	275,287
1100	Excess (deficiency) of revenues over (under) expenditures	(536,305)	-	-	-
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	(536,305)	-	-	-
0100	Fund balances, beginning	-	-	-	-
3000	FUND BALANCES, ending	\$ (536,305)	\$ -	\$ -	\$ -

215 ESEA Title I Part A Capital Expenses	224 IDEA-B Formula	225 IDEA-B Preschool Grant	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
63,299	2,638,033	57,436	184,438	533,219
63,299	2,638,033	57,436	184,438	533,219
62,746	767,581	57,436	20,485	401,621
-	-	-	-	-
-	217,886	-	11,307	89,106
-	13,809	-	152,646	41,385
-	-	-	-	-
-	1,542,119	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
553	-	-	-	1,107
-	-	-	-	-
-	-	-	-	-
-	96,638	-	-	-
63,299	2,638,033	57,436	184,438	533,219
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -

Wichita Falls Independent School District

Combining Statement of Revenues, Expenditures and Changes – Continued

In Fund Balance – Nonmajor Governmental Funds

For the Fiscal Year Ended August 31, 2018

<u>Data Control Codes</u>		263 Title III Part A Language	272 MAC Program	287/291 Department of Defense Grant	288 HIPPY Grant
REVENUES					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	122,657	22,317	209,671	309,172
5020	Total revenues	122,657	22,317	209,671	309,172
EXPENDITURES					
Current:					
0011	Instruction	116,271		114,308	-
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	5,500	-	14,191	-
0021	Instructional leadership	-	10,916	60,306	-
0023	School leadership	-	207	-	-
0031	Guidance, counseling, and evaluation services	-	10,294	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food services	-	-	-	-
0036	Cocurricular/extracurricular activities	-	-	20,866	-
0041	General administration	886	-	-	-
0051	Facilities maintenance and operations	-	900	-	-
0061	Community services	-	-	-	309,172
0093	Payments to member districts of SSA	-	-	-	-
6030	Total expenditures	122,657	22,317	209,671	309,172
1100	Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	-	-	-	-
0100	Fund balances, beginning	-	-	-	-
3000	FUND BALANCES, ending	\$ -	\$ -	\$ -	\$ -

289	315	316	317	340	397
Summer School	IDEA-B Discretionary	IDEA-B Deaf	IDEA-B Preschool Deaf	IDEA-C Deaf	Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	7,410
51,898	45,657	-	-	493	-
51,898	45,657	-	-	493	7,410
16,245	34,972	-	-	493	7,410
-	-	-	-	-	-
27,228	10,339	-	-	-	-
1,023	-	-	-	-	-
-	346	-	-	-	-
7,402	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
51,898	45,657	-	-	493	7,410
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Wichita Falls Independent School District

Combining Statement of Revenues, Expenditures and Changes – Continued

In Fund Balance – Nonmajor Governmental Funds

For the Fiscal Year Ended August 31, 2018

<u>Data Control Codes</u>		<u>410 State Textbook Fund</u>	<u>415 Kindergarten and Pre-K Grant</u>	<u>427 HOPE Grant</u>	<u>429 State Funded Special Revenue Fund</u>
REVENUES					
5700	Local and intermediate sources	\$ 5,559	\$ -	\$ -	\$ -
5800	State program revenues	483,336	6,623	93,484	2,450
5900	Federal program revenues	-	-	-	-
5020	Total revenues	488,895	6,623	93,484	2,450
EXPENDITURES					
Current:					
0011	Instruction	496,130	9,226	-	13,679
0012	Instructional resources and media services	-	-	-	-
0013	Curriculum and staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food services	-	-	-	-
0036	Cocurricular/extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Facilities maintenance and operations	-	-	-	-
0061	Community services	-	-	89,100	-
0093	Payments to member districts of SSA	-	-	-	-
6030	Total expenditures	496,130	9,226	89,100	13,679
1100	Excess (deficiency) of revenues over (under) expenditures	(7,235)	(2,603)	4,384	(11,229)
OTHER FINANCING SOURCES (USES)					
7915	Transfers in	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	(7,235)	(2,603)	4,384	(11,229)
0100	Fund balances, beginning	44,893	-	-	-
3000	FUND BALANCES, ending	\$ 37,658	\$ (2,603)	\$ 4,384	\$ (11,229)

435 Regional Day School for the Deaf	461 Campus Activity Funds	480 No Kid Hungry Grant	489 West Foundation	499 CIS	Total Nonmajor Governmental Funds
\$ 432,664	\$ 648,944	\$ 5,000	\$ 511,268	\$ 245,000	\$ 1,848,435
267,435	-	-	-	-	860,738
-	-	-	-	-	10,360,451
700,099	648,944	5,000	511,268	245,000	13,069,624
692,988	128,623	-	205,384	245,000	8,432,057
-	89,389	-	740	-	90,129
-	-	-	134,529	-	828,527
-	-	-	-	-	789,353
-	48,713	-	-	-	360,139
-	-	-	-	-	1,680,204
-	-	-	-	-	263,552
-	-	-	-	-	3,180
-	-	4,966	-	-	4,966
-	311,069	-	115,889	-	447,824
-	-	-	45,350	-	49,421
-	1,599	-	-	-	69,778
-	1,031	-	-	-	421,803
-	-	-	-	-	96,638
692,988	580,424	4,966	501,892	245,000	13,537,571
7,111	68,520	34	9,376	-	(467,947)
-	-	-	-	-	-
-	-	-	-	-	-
7,111	68,520	34	9,376	-	(467,947)
-	545,014	-	-	-	589,907
\$ 7,111	\$ 613,534	\$ 34	\$ 9,376	\$ -	\$ 121,960

Wichita Falls Independent School District
Combining Statement of Net Position
Internal Service Funds
August 31, 2018

Exhibit H-3

<u>Data Control Codes</u>		<u>752 Print Shop Fund</u>	<u>753 Insurance Fund</u>	<u>Total Internal Service Fund</u>
	ASSETS			
	Current Assets			
1110	Cash and cash equivalents	\$ 13,700	\$ 195,299	\$ 208,999
1120	Investments	-	542,468	542,468
1260	Due from other funds	3,189	2,618,748	2,621,937
	Total current assets	16,889	3,356,515	3,373,404
	Noncurrent assets:			
	Capital assets:			
1530	Furniture and equipment	301,667	-	301,667
1550	Assets purchased under capital leases	337,618	-	337,618
1570	Accumulated depreciation	(504,667)	-	(504,667)
	Total noncurrent assets	134,618	-	134,618
1000	TOTAL ASSETS	<u>\$ 151,507</u>	<u>\$ 3,356,515</u>	<u>\$ 3,508,022</u>
	LIABILITIES			
	Current Liabilities:			
2110	Accounts payable	\$ 13,958	\$ -	\$ 13,958
2170	Due to other funds	426,172	154	426,326
	Total current liabilities	440,130	154	440,284
	Noncurrent liabilities:			
2590	Claims and judgments	-	432,000	432,000
	Total noncurrent liabilities	-	432,000	432,000
2000	TOTAL LIABILITIES	440,130	432,154	872,284
	NET POSITION			
3200	Net investment in capital assets	134,618	-	134,618
3900	Unrestricted	(423,241)	2,924,361	2,501,120
3000	TOTAL NET POSITION	<u>\$ (288,623)</u>	<u>\$ 2,924,361</u>	<u>\$ 2,635,738</u>

Wichita Falls Independent School District

Exhibit H-4

Combining Statement of Revenues, Expenses and Changes
In Fund Net Position – Internal Service Funds
For the Fiscal Year Ended August 31, 2018

<u>Data Control Codes</u>		<u>752 Print Shop Fund</u>	<u>753 Insurance Fund</u>	<u>Total Internal Service Funds</u>
	OPERATING REVENUES			
5700	Local and intermediate sources	\$ 133,845	\$ 952,572	\$ 1,086,417
5020	Total operating revenues	133,845	952,572	1,086,417
	OPERATING EXPENSES			
6100	Payroll costs	75,216	99,765	174,981
6200	Professional and contracted services	168,224	1,187	169,411
6300	Supplies and materials	18,349	1,442	19,791
6400	Other operating costs	62,469	194,195	256,664
6030	Total operating expenses	324,258	296,589	620,847
	Operating income (loss)	(190,413)	655,983	465,570
	NON-OPERATING REVENUES (EXPENSES)			
7955	Earnings from temp. deposits and investments	-	7,830	7,830
8030	Total non-operating revenues (expenses)	-	7,830	7,830
1300	Change in net position	(190,413)	663,813	473,400
0100	Total net position, beginning	(98,210)	2,260,548	2,162,338
3300	TOTAL NET POSITION, ending	<u>\$ (288,623)</u>	<u>\$ 2,924,361</u>	<u>\$ 2,635,738</u>

Wichita Falls Independent School District
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended August 31, 2018

Exhibit H-5

	Print Shop Fund	Insurance Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts (payments) for quasi-external operating transactions with other funds	\$ 323,810	\$ (685,547)	\$ (361,737)
Cash payments to employees for services	(75,216)	(99,765)	(174,981)
Cash payments to suppliers for goods and services	(187,096)	(495,635)	(682,731)
Net cash provided by (used in) operating activities	61,498	(1,280,947)	(1,219,449)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(47,798)	-	(47,798)
Net cash used in capital and related financing activities	(47,798)	-	(47,798)
Net increase (decrease) in cash and cash equivalents	13,700	(1,280,947)	(1,267,247)
CASH AND CASH EQUIVALENTS, beginning of year	-	1,476,246	1,476,246
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 13,700</u>	<u>\$ 195,299</u>	<u>\$ 208,999</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	\$ (190,413)	\$ 655,983	\$ 465,570
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	59,467	-	59,467
Change in assets and liabilities			
Decrease (increase) in due from other funds	(2,990)	(1,638,192)	(1,641,182)
Decrease in accounts payable	2,560	(406)	2,154
Increase (decrease) in accrued wages payable	(81)	(405)	(486)
Increase (decrease) in due to other funds	192,955	73	193,028
Decrease in claims liabilities	-	(298,000)	(298,000)
Total adjustments	192,444	(1,936,930)	(1,744,486)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 61,498</u>	<u>\$ (1,280,947)</u>	<u>\$ (1,219,449)</u>

Wichita Falls Independent School District
 Combining Statement of Fiduciary Net Position
 Private-Purpose Trust Funds
 August 31, 2018

Exhibit H-6

Data Control Codes		828 Ryan Scholarship Fund	829 Renton Aviation Fund	Total Private Purpose Trust
	ASSETS			
1110	Cash and cash equivalents	\$ 708,384	\$ 3,000	\$ 711,384
1000	TOTAL ASSETS	<u>\$ 708,384</u>	<u>\$ 3,000</u>	<u>\$ 711,384</u>
	NET POSITION			
3800	Held in trust	\$ 708,384	\$ 3,000	\$ 711,384
3000	TOTAL NET POSITION	<u>\$ 708,384</u>	<u>\$ 3,000</u>	<u>\$ 711,384</u>

Wichita Falls Independent School District**Exhibit H-7**

Combining Statement of Changes in Fiduciary Net Position

Private-Purpose Trust Funds

For the Fiscal Year Ended August 31, 2018

	828 Ryan Scholarship Fund	829 Renton Aviation Fund	Total Private Purpose Trust
ADDITIONS			
Gifts and bequests	\$ 211,065	\$ -	\$ 211,065
Total additions	211,065	-	211,065
DEDUCTIONS			
Scholarship awards	(239,000)	-	(239,000)
Total deductions	(239,000)	-	(239,000)
Changes in net position	(27,935)	-	(27,935)
Net position, beginning of year	736,319	3,000	739,319
NET POSITION, end of year	<u>\$ 708,384</u>	<u>\$ 3,000</u>	<u>\$ 711,384</u>

T.E.A. Required Schedules

Wichita Falls Independent School District

Schedule of Delinquent Taxes Receivable

For the Fiscal Year Ended August 31, 2018

Last Ten Years Ended August 31	Tax Rates		3 Net Assessed/Appraised Value For School Tax Purposes
	1	2	
	Maintenance	Debt Service	
2009 and prior years	Various	Various	Various
2010	1.04	0.160	3,859,503,833
2011	1.04	0.160	3,870,054,417
2012	1.04	0.165	3,877,945,145
2013	1.04	0.170	3,944,910,744
2014	1.04	0.165	4,035,873,693
2015	1.04	0.095	4,123,975,683
2016	1.04	0.190	4,257,991,182
2017	1.04	0.190	4,335,535,584
2018 (School year under audit)	1.04	0.190	4,429,361,935
1000 TOTALS			

Exhibit J-1

10 Beginning Balance September 1 2017	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance August 31, 2018
\$ 320,654	\$ -	\$ 20,597	\$ 2,951	\$ 28,833	\$ 268,273
73,009	-	3,604	555	3,200	65,650
69,946	-	5,839	898	4,992	58,217
74,738	-	10,639	1,688	5,359	57,052
100,160	-	11,925	1,949	9,311	76,975
152,843	-	34,060	5,404	(1,577)	114,956
203,294	-	55,297	5,051	1,292	141,654
328,624	-	105,644	19,300	(5,081)	208,761
724,557	-	247,332	45,186	56,497	375,542
-	52,675,428	43,686,637	7,981,212	327,383	680,196
<u>\$ 2,047,825</u>	<u>\$ 52,675,428</u>	<u>\$ 44,181,574</u>	<u>\$ 8,064,194</u>	<u>\$ 430,209</u>	<u>\$ 2,047,276</u>

Wichita Falls Independent School District
 Budgetary Comparison Schedule – Debt Service Fund
 For the Fiscal Year Ended August 31, 2018

Exhibit J-2

Data Control Codes		Budgeted Amounts		Actual	Variance
		Original	Final		Final Budget Positive or (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 7,936,757	\$ 7,936,757	\$ 8,181,597	\$ 244,840
5800	State program revenues	630,000	630,000	527,960	(102,040)
5020	Total revenues	8,566,757	8,566,757	8,709,557	142,800
EXPENDITURES					
	Debt service:				
0071	Principal on long-term debt	4,815,000	4,815,000	4,815,000	-
0072	Interest on long-term debt	3,591,500	3,591,500	3,591,500	-
0073	Bond issuance costs and fees	5,000	5,000	3,000	2,000
6030	Total expenditures	8,411,500	8,411,500	8,409,500	2,000.00
1100	Excess (deficiency) of revenues over (under) expenditures	155,257	155,257	300,057	140,800
0100	Fund balances, beginning	395,982	395,982	395,982	-
3000	FUND BALANCES, ending	\$ 551,239	\$ 551,239	\$ 696,039	\$ 140,800

Overall Compliance and Internal Controls Section

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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Trustees
Wichita Falls Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wichita Falls Independent School District (the District), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 9, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and 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 over financial reporting 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The Board of Trustees
Wichita Falls Independent School District

The District's Response to Findings

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

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 9, 2019

**Independent Auditor's 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
Wichita Falls Independent School District

Report on Compliance for Each Major Federal Program

We have audited Wichita Falls 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, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 Compliance for 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, 2018.

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 9, 2019

Wichita Falls Independent School District

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2018

Section 1. Summary of the Auditor's Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified that are not considered a material weakness?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted	<u> </u> Yes	<u> X </u> No

Major Programs

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered a material weakness?	<u> </u> Yes	<u> X </u> None reported

An unmodified opinion was issued on compliance for major programs.

Any audit findings disclosed that were required to be Reported in accordance with section 2 CFR 200.516(a)	<u> </u> Yes	<u> X </u> No
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Identification of major federal programs:

10.553, 10.555, 10.559 – Child Nutrition Cluster

The dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
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Auditee qualified as a low-risk auditee?	<u> X </u> Yes	<u> </u> No
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Wichita Falls Independent School District

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended August 31, 2018

Section 2. Findings Relating To the Financial Statements

Finding 2018-001

Material Weakness in Internal Control over Financial Reporting – Financial Statement Adjustments

Criteria

Management is responsible for the accuracy and completeness of all financial records and related information and for establishing and maintaining effective internal control over financial reporting. The existence of a material audit adjustment is an indication of a material weakness in internal control.

Condition

The financial information for the year ended August 31, 2018 included errors that were identified and corrected during our audit. Specific issues related to year-end accruals.

Context

During our audit, we identified errors and audit adjustments were made to the correct year end balances.

Cause

Because these errors were not detected prior to the information being provided for the audit, there is an indication that effective closing procedures are not in place.

Effect or Potential Effect

The District's system of internal controls did not detect misstatements. By establishing effective monitoring and closing procedures, irregularities will be detected.

Recommendation

As part of the year-end close process and prior to sending the auditors a trial balance, we recommend the District's business office perform balance sheet reconciliations and that a supervisor review the reconciliations for accuracy and agree the reconciled balances to the general ledger.

Views of Responsible Officials and Planned Corrective Actions

Management agrees with the finding and has completed a corrective action plan.

Section 3. Findings and Questioned Costs

None

Section 4. Prior Year Findings and Questioned Costs

None



**WICHITA FALLS
INDEPENDENT
SCHOOL DISTRICT**

Tim Sherrod
Chief Financial Officer

1104 Broad • P.O. Box 97533
Wichita Falls, Texas 76307-7533
Phone (940) 235-1015 • FAX (940) 235-4312
E-mail tsherrod@wfid.net

Corrective Action Plan

Finding 2018-001 – Material Weakness in Internal Control over Financial Reporting – Financial Statement Adjustments

Corrective Action Plan

As part of the year-end close process and prior to sending the auditors a trial balance, the District will perform balance sheet reconciliations and a supervisor will review the reconciliations for accuracy and agree the reconciled balances to the general ledger.

Person(s) Responsible

Tim Sherrod
Chief Financial Officer

Anticipated Completion Date

June 30, 2019

Wichita Falls Independent School District
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended August 31, 2018

Exhibit K-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Region IX Education Service Center:			
Head Start	93.600	06CH7009/16	\$ 329,063
Head Start	93.600	06CH7009/17	1,799,765
Total Passed Through Region IX Education Service Center			2,128,828
Passed Through North Texas Area United Way:			
Maternal, Infant, and Early Childhood Home Visiting Program	93.505	529-14-0109-00001	340,912
Passed Through Fairbanks, LLC:			
Medicaid Administrative Claiming Program - MAC	93.778	529-08-0177-00005	22,317
Total U.S. Department of Health and Human Services			2,492,057
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			
Impact Aid - P.L.	84.041	N/A	134,673
Passed Through Region 10:			
Texas McKinney-Vento Program 2	84.196A	14-007	30,193
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010A	17610101243905	10,989
ESEA Title I Part A - Improving Basic Programs	84.010A	18610101243905	3,525,240
ESEA Title I Part A - Improving Basic Programs	84.010A	19610101243905	226,221
ESEA Title I - School Improvement Program	84.010A	17610112243905000	7,759
ESEA Title I - School Improvement Program	84.010A	18610112243905000	273,308
ESEA Title I Part D, Subpart 2 - Delinquent Programs	84.010A	18610103243905	59,464
ESEA Title I Part D, Subpart 2 - Delinquent Programs	84.010A	19610103243905	5,122
Total CFDA Number 84.010A			4,108,103
Special Education Cluster:			
IDEA-B Formula	84.027A	176600012439056600	5,779
IDEA-B Formula	84.027A	186600012439056600	2,463,128
IDEA-B Formula	84.027A	196600012439056600	220,036
SSA IDEA-B Discretionary Deaf	84.027A	176600112439056673	355
SSA IDEA-B Discretionary Deaf	84.027A	186600112439056673	46,424
IDEA-B Preschool	84.173A	176610012439056610	241
IDEA-B Preschool	84.173A	186610012439056610	54,900
IDEA-B Preschool	84.173A	196610012439056610	3,536
Total Special Education Cluster			2,794,399
Vocational Education - Basic Grant			
IDEA C Early Intervention	84.181A	173911012439053911	493
ESEA Title III-LEP	84.365A	17671001243905	1,987
ESEA Title III-LEP	84.365A	18671001243905	122,547
ESEA Title III-LEP	84.365A	19671001243905	886
Total CFDA Number 84.365A			125,420
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	17694501243905	12,136
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	18694501243905	510,942
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	19694501243905	22,904
Total CFDA Number 84.367A			545,982
ESEA Title IV Part A - Subpart 1	84.424A	18680101243905	45,955
ESEA Title IV Part A - Subpart 1	84.424A	19680101243905	7,401
Total CFDA Number 84.424A			53,356
Total Passed Through State Department of Education			7,815,583
Total U.S. Department of Education			7,815,583

Wichita Falls Independent School District
 Schedule of Expenditures of Federal Awards – Continued
 For the Fiscal Year Ended August 31, 2018

Exhibit K-1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution - SBP - Noncash assistance	10.553	243008A	123,039
Food Distribution - NSLP - Noncash assistance	10.555	243008A	320,481
			<hr/>
Total Passed Through State Department of Agriculture			443,520
Passed Through State Department of Education:			
School Breakfast Program	10.553	7140901	1,420,771
National School Lunch Program	10.555	7130901	3,761,303
			<hr/>
Total Passed Through State Department of Education			5,182,074
Passed Through State Department of Human Services:			
Summer Feeding Program	10.559	TX-2431005SU	91,308
			<hr/>
Total Passed Through Texas Department of Human Services			91,308
			<hr/>
Total Child Nutrition Cluster			5,716,902
			<hr/>
Total U.S. Department of Agriculture			5,716,902
			<hr/>
U.S. DEPARTMENT OF DEFENSE			
Direct programs:			
ROTC (Instructional Reimbursement)	12.000	243-905	173,965
Military-Connected Academic and Support Programs	12.557	HE12541510030	104,987
Military-Connected Academic and Support Programs	12.556	HE12541710010	104,684
			<hr/>
Total U.S. Department of Defense			383,636
			<hr/>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 16,573,044</u></u>

Wichita Falls Independent School District

Notes to Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended August 31, 2018

Basis of Presentation

The modified accrual basis of accounting is used for the governmental funds. Accordingly, the schedule of expenditures of federal awards was prepared under this basis of accounting, which requires that revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned.

The following table reconciles total expenditures per the schedule of expenditures of federal awards (Exhibit K-1) to the federal program revenues per Exhibit C-2:

Total expenditures of federal awards per Exhibit K-1	\$	16,573,044
E-Rate program		588,865
SHARS revenue		3,532,060
Total federal program revenues per Exhibit C-2	\$	20,693,969

Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate.

Wichita Falls Independent School District

School First Questionnaire (Unaudited)

For the Fiscal Year Ended August 31, 2018

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ -
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 25,191,798