

Whitney Independent School District

Annual Financial Report

August 31, 2019

Whitney Independent School District

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Certificate of Board

**Whitney Independent
School District**

Hill County

109-911

We, the undersigned, certify that the attached annual financial and compliance reports of the above-named independent school district were reviewed and approved for the year ended August 31, 2019 at a meeting of the Board of School Trustees of such independent school district on the 9th day of December 2019.

Board Secretary

Board President



JAYNES REITMEIER BOYD & THERRELL, P.C.
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INDEPENDENT AUDITOR'S REPORT

The Board of School Trustees
Whitney 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 Whitney Independent School District (the "District") as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Whitney Independent School District as of August 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vii through xii, the budgetary comparison information on pages 39 through 40, the schedules of the District's proportionate share of the net pension/ OPEB liabilities on pages 41 and 43, and the schedules of District pension/OPEB contributions on pages 42 and 44 (collectively, "the required supplementary information") 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 schedules, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is also not a required part of the basic financial statements.

The other supplementary information and the schedule 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 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 or other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Jaynes. Reitmeier, Boyd + Therrell, P.C.

December 4, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report for Whitney Independent School District (the "District") presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$4,958,467, a decrease of \$420,185 from prior year. The unrestricted net position of the District at August 31, 2019 is a deficit of \$5,345,654, which resulted from the District's recognition of net pension and other postemployment benefits ("OPEB") liabilities of \$9,724,588.
- As of the close of 2019, the District's governmental funds reported combined ending fund balances of \$8,598,460, an increase of \$216,988 in comparison with the prior year which resulted from increases in property taxes due to increased assessed values offset by salary increases due to annual step increases.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,605,277, or approximately 37% of the total 2019 general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, etc.).

The governmental activities of the District include all of the District's basic services, such as instruction, extracurricular activities, curriculum and staff development, and general administration. Property taxes, state aid, and grants finance most of these activities.

Fund Financial Statements

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 are governmental funds or fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows or spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains approximately twelve individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

The District adopts an annual appropriated budget for its general fund, child nutrition fund, and debt service fund. Budgetary comparison statements are included in supplemental information to demonstrate compliance with these budgets.

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The private purpose trust fund is used to report resources held in trust for scholarships.

Notes to the Financial Statements and Other Information

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. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide pension and OPEB benefits. Additional supplementary information is presented as required by the Texas Education Agency.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$4,958,467 at the close of the most recent fiscal year.

Whitney Independent School District Net Position August 31, 2019 and 2018

	Governmental Activities	
	2019	2018
Current and other assets	\$ 10,274,750	9,972,780
Capital assets	35,318,594	36,685,792
Total assets	<u>45,593,344</u>	<u>46,658,572</u>
Deferred outflows of resources	<u>2,362,569</u>	<u>738,689</u>
Current liabilities	850,088	821,662
Long-term liabilities	48,795,041	48,130,631
	<u>49,645,129</u>	<u>48,952,293</u>
Deferred inflows of resources	<u>3,269,251</u>	<u>2,983,250</u>
Net position:		
Net investment in capital assets	(1,078,770)	(788,220)
Restricted	1,465,957	1,001,668
Unrestricted	<u>(5,345,654)</u>	<u>(4,751,730)</u>
	<u>\$ (4,958,467)</u>	<u>(4,538,282)</u>

The District has a net investment in capital assets of \$(1,078,770) at August 31, 2019, which reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment) less any outstanding debt that was used to acquire those assets. The District uses these capital assets to provide public educational services to its students. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (\$1,465,957) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit of \$5,345,654.

Whitney Independent School District
Changes in Net Position
Years Ended August 31, 2019 and 2018

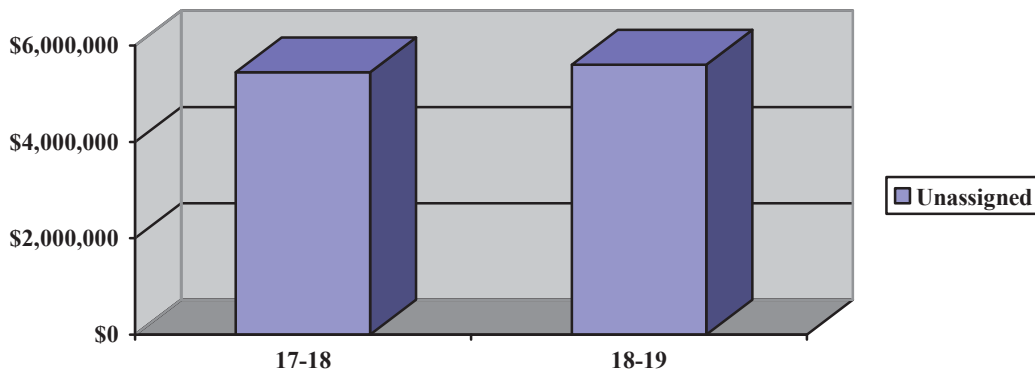
	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 702,677	367,671
Operating grants and contributions	2,997,892	(285,668)
General revenues:		
Maintenance and operations property taxes	7,290,116	6,587,560
Debt service property taxes	2,792,947	2,499,955
State aid formula grants	5,616,386	5,749,625
Grants and contributions not restricted	708,162	490,797
Investment revenue	110,190	95,142
Miscellaneous	646,263	40,591
Total revenue	20,864,633	15,545,673
Expenses:		
Instruction	9,449,400	5,765,863
Instructional resources and media services	285,158	153,329
Curriculum and staff development	21,189	1,346
Instructional leadership	264,125	63,520
School leadership	809,794	427,681
Guidance, counseling and evaluation services	357,185	177,544
Health services	157,148	101,615
Student transportation	684,018	457,700
Food services	1,248,037	821,714
Extracurricular activities	1,310,203	472,598
General administration	865,318	456,891
Facilities maintenance and operations	1,955,368	1,499,257
Security and monitoring services	62,753	39,588
Data processing services	1,039,906	751,336
Interest on long-term debt	1,600,404	1,624,661
Payment to fiscal agent for shared services	839,629	733,308
Payment to JJAEP	36,870	5,440
Payment to county appraisal district	298,313	279,042
Total expenses	21,284,818	13,832,433
Increase (decrease) in net position	(420,185)	1,713,240
Net position, beginning of year, as previously reported	(3,963,051)	(5,676,291)
Prior period adjustments	(575,231)	-
Net position, beginning of year, as restated	(4,538,282)	(5,676,291)
Net position, end of year	\$ (4,958,467)	(3,963,051)

The District recognized a increase in net position of \$420,185, compared to an increase of \$1,713,240 in the prior year, as a result of the following:

- Operating grants and contributions increased by approximately \$3.3 million due to the recognition of the non-employer’s share of pension/OPEB expense. Property tax revenues increased \$1.0 million due to an increase in assessed values of approximately \$25.3 million. Miscellaneous revenues increased \$0.6 million primarily due to insurance recoveries of \$0.4 million from claims for hail and wind damage during 2019.
- The cost of all governmental activities this year was \$21.3 million, an increase of approximately \$7.5 million from the prior year. The increase was primarily attributed to the recognition of net pension/OPEB expense of \$1.5 million in the current year compared to a pension/OPEB benefit of approximately \$5.2 million.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The District’s Board of School Trustees annually monitors the relative unassigned fund balance in the District’s General Fund. Most districts have an unassigned fund balance goal of 15% of the budget, or two to three months of operations costs for their fund balance. The unassigned fund balance in the General Fund increased in 2019 from \$5,446,135 to \$5,605,277. The graph below reflects the historical trend fund balance for unassigned fund balance of the general fund.



The fund balance of the general fund decreased by \$205,323 during the current fiscal year, compared to a decrease of \$351,922 in the prior year. Key factors in this change are as follows:

- Property tax revenues increased \$0.3 million due to an increase in property values of approximately \$25.3 million from 2018 to 2019. Additionally, the District received approximately \$0.4 million in insurance recoveries from claims for hail and wind damage during the year. State program revenues decreased approximately \$0.3 million as a result of increases in property tax collections that impact the state funding formulas.
- Total expenditures were \$15.3 million in 2019 and \$14.6 million in 2018. The majority of this increase was a result of \$0.5 million for roof replacements as a result of hail and wind damage during the year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for expenditures and transfers out amounted to approximately \$300,000. The primary differences consisted of \$378,000 for the roof replacements due to hail and wind damage, \$100,000 for transfers to the Child Nutrition fund to cover current year operating deficits, offset by a decrease in data processing services of \$231,000 for budgeted technology improvements that were not spent in the current year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2019 amounts to \$35,318,594 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Major capital asset events during the current fiscal year included roof replacements due to wind and hail damage in the amount of \$483,736 and the purchase of two vehicles for \$65,703.

Additional information on the District's capital assets can be found in Note 8.

Long-term Debt

The State of Texas backs the District's bonds with its "AAA/stable" rating. This bond rating helps the District by reducing the costs of any debt issued. At the end of the current fiscal year, the District had total bonded debt outstanding of \$37.5 million, accumulated accretion on capital appreciation bonds of \$1.6 million and net pension/OPEB liabilities of \$9.7 million. Reductions in long-term debt were the result of scheduled principal payments and the change in the net pension/OPEB liabilities.

Additional information on the District's long-term debt can be found in Note 9.

Economic Factors and Next Year's Budget

For 2020, the District adopted a budget of approximately \$17.0 million. The tax rate adopted for 2020 is \$1.50935 per \$100 valuation, and is a \$0.10165 decrease from the 2019 tax rate of \$1.611. The decrease in the tax rate is a result of changes in state law.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Business Office, Whitney Independent School District, 305 S. San Jacinto, Whitney, Texas 76692.

Basic Financial Statements

Whitney Independent School District

Statement of Net Position

August 31, 2019

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 8,581,908
1220	Property taxes receivable, net of allowance for uncollectibles of \$296,848	890,544
1240	Due from other governments	802,298
	Capital assets, not depreciated:	
1510	Land	823,008
	Capital assets, net of accumulated depreciation:	
1520	Buildings, net	31,959,648
1530	Furniture and equipment, net	<u>2,535,938</u>
	Total assets	<u>45,593,344</u>
	Deferred Outflows of Resources	
1700	Deferred outflows of resources	<u>2,362,569</u>
	Liabilities	
2110	Accounts payable	23,555
2140	Accrued interest payable	64,342
2160	Accrued wages payable	723,497
2200	Accrued expenses	38,694
	Noncurrent liabilities:	
2501	Due within one year	965,000
	Due after one year:	
2510	Bonds	36,539,804
2512	Accumulated accretion on capital appreciation bonds	1,565,649
2540	Net pension liability	3,768,622
2545	Other postemployment benefits liability	<u>5,955,966</u>
	Total due after one year	<u>47,830,041</u>
	Total liabilities	<u>49,645,129</u>
	Deferred Inflows of Resources	
2600	Deferred inflows of resources	<u>3,269,251</u>
	Net Position	
3200	Net investment in capital assets	(1,078,770)
	Restricted for:	
3820	Grant requirements	10,821
3850	Debt service	1,455,136
3900	Unrestricted	<u>(5,345,654)</u>
	Total net position	<u>\$ (4,958,467)</u>

See accompanying notes to financial statements.

Whitney Independent School District

Statement of Activities

Year Ended August 31, 2019

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	6 Governmental Activities
Governmental activities:					
11	Instruction	\$ 9,449,400	-	1,490,115	(7,959,285)
12	Instructional resources and media services	285,158	-	20,838	(264,320)
13	Curriculum and instructional staff development	21,189	-	24,625	3,436
21	Instructional leadership	264,125	-	101,720	(162,405)
23	School leadership	809,794	-	50,548	(759,246)
31	Guidance, counseling, and evaluation services	357,185	-	21,469	(335,716)
33	Health services	157,148	-	-	(157,148)
34	Student transportation	684,018	-	225,598	(458,420)
35	Food services	1,248,037	229,778	698,525	(319,734)
36	Extracurricular activities	1,310,203	472,899	47,219	(790,085)
41	General administration	865,318	-	79,453	(785,865)
51	Facilities maintenance and operations	1,955,368	-	103,876	(1,851,492)
52	Security and monitoring services	62,753	-	2,602	(60,151)
53	Data processing services	1,039,906	-	59,502	(980,404)
72	Interest on long-term debt	1,600,404	-	71,802	(1,528,602)
93	Payment to fiscal agent for shared services	839,629	-	-	(839,629)
95	Payment to JJAEP	36,870	-	-	(36,870)
99	Payment to county appraisal district	298,313	-	-	(298,313)
	Total governmental activities	\$ 21,284,818	702,677	2,997,892	(17,584,249)
General revenues:					
Taxes:					
MT	Property taxes, levied for general purposes				7,290,116
DT	Property taxes, levied for debt service				2,792,947
SF	State aid-formula grants				5,616,386
GC	Grants and contributions not restricted				708,162
IE	Investment earnings				110,190
MI	Miscellaneous				646,263
TR	Total general revenues				<u>17,164,064</u>
CN	Change in net position				<u>(420,185)</u>
	Net position, beginning of year, as previously reported				(3,963,051)
	Prior period adjustments				<u>(575,231)</u>
NB	Net position, beginning of year, as restated				<u>(4,538,282)</u>
NE	Net position, end of year				<u>\$ (4,958,467)</u>

See accompanying notes to financial statements.

Whitney Independent School District

Balance Sheet –
Governmental Funds

August 31, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	Assets					
1110	Cash and cash equivalents	\$ 6,082,798	1,213,740	1,089,760	195,610	8,581,908
1225	Taxes receivable, net of allowance for uncollectibles of \$296,848	646,764	243,780	-	-	890,544
1240	Due from other governments	652,284	-	-	150,014	802,298
1260	Due from other funds	<u>93,458</u>	<u>-</u>	<u>2,384</u>	<u>-</u>	<u>95,842</u>
	Total assets	<u>\$ 7,475,304</u>	<u>1,457,520</u>	<u>1,092,144</u>	<u>345,624</u>	<u>10,370,592</u>
	Liabilities					
2110	Accounts payable	\$ 20,079	-	-	3,476	23,555
2160	Accrued wages payable	662,242	-	-	61,255	723,497
2170	Due to other funds	5,943	2,384	565	86,950	95,842
2200	Accrued expenses	<u>34,999</u>	<u>-</u>	<u>-</u>	<u>3,695</u>	<u>38,694</u>
	Total liabilities	<u>723,263</u>	<u>2,384</u>	<u>565</u>	<u>155,376</u>	<u>881,588</u>
	Deferred Inflows of Resources					
2600	Unavailable property tax revenue	<u>646,764</u>	<u>243,780</u>	<u>-</u>	<u>-</u>	<u>890,544</u>
	Fund Balances					
	Restricted for:					
3450	Grant requirements	-	-	-	10,821	10,821
3470	Construction	-	-	1,091,579	-	1,091,579
3480	Retirement of long-term debt	-	1,211,356	-	-	1,211,356
	Committed for:					
3510	Construction	500,000	-	-	-	500,000
	Assigned to:					
3590	Campus activities	-	-	-	179,427	179,427
3600	Unassigned	<u>5,605,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,605,277</u>
	Total fund balances	<u>6,105,277</u>	<u>1,211,356</u>	<u>1,091,579</u>	<u>190,248</u>	<u>8,598,460</u>
	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,475,304</u>	<u>1,457,520</u>	<u>1,092,144</u>	<u>345,624</u>	<u>10,370,592</u>

See accompanying notes to financial statements.

Whitney Independent School District

Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Position for Governmental Activities

August 31, 2019

Data
Control
Codes

	Total fund balances - governmental funds (Exhibit C-1)	\$ 8,598,460
1	Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	35,318,594
2	Other long-term assets are not available to pay for current period expenditures and therefore are unavailable revenue in the funds.	890,544
3	Long-term liabilities are not due and payable in the current period and are not reported in the funds.	<u>(49,766,065)</u>
19	Net position of governmental activities (Exhibit A-1)	\$ <u><u>(4,958,467)</u></u>

See accompanying notes to financial statements.

Whitney Independent School District

**Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds**

Year Ended August 31, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
5700	Local and intermediate sources	\$ 8,129,906	2,746,757	22,793	586,617	11,486,073
5800	State program revenues	6,412,029	71,802	-	115,231	6,599,062
5900	Federal program revenues	708,162	-	-	962,511	1,670,673
5020	Total revenues	<u>15,250,097</u>	<u>2,818,559</u>	<u>22,793</u>	<u>1,664,359</u>	<u>19,755,808</u>
Expenditures:						
Current:						
0011	Instruction	7,316,677	-	-	428,362	7,745,039
0012	Instructional resources and media services	203,735	-	-	-	203,735
0013	Curriculum and staff development	4,066	-	-	-	4,066
0021	Instructional leadership	184,175	-	-	-	184,175
0023	School leadership	769,667	-	-	-	769,667
0031	Guidance, counseling, and evaluation services	335,250	-	-	-	335,250
0033	Health services	147,928	-	-	-	147,928
0034	Student transportation	560,768	-	-	-	560,768
0035	Food service	-	-	-	1,063,398	1,063,398
0036	Extracurricular activities	678,757	-	-	369,784	1,048,541
0041	General administration	761,393	-	-	-	761,393
0051	Facilities maintenance and operations	2,186,725	-	-	-	2,186,725
0052	Security and monitoring services	60,944	-	-	-	60,944
0053	Data processing services	880,523	-	-	-	880,523
0093	Payments to fiscal agent of shared services arrangement	839,629	-	-	-	839,629
0095	Payments to JJAEP	36,870	-	-	-	36,870
0099	Payments to county appraisal district	298,313	-	-	-	298,313
Debt service:						
0071	Principal on long-term debt	-	930,000	-	-	930,000
0072	Interest on long-term debt	-	1,481,856	-	-	1,481,856
6030	Total expenditures	<u>15,265,420</u>	<u>2,411,856</u>	<u>-</u>	<u>1,861,544</u>	<u>19,538,820</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(15,323)</u>	<u>406,703</u>	<u>22,793</u>	<u>(197,185)</u>	<u>216,988</u>
Other financing sources (uses):						
7915	Transfers in	-	-	-	190,000	190,000
8911	Transfers out	(190,000)	-	-	-	(190,000)
	Total other financing sources (uses)	<u>(190,000)</u>	<u>-</u>	<u>-</u>	<u>190,000</u>	<u>-</u>
1200	Net change in fund balances	<u>(205,323)</u>	<u>406,703</u>	<u>22,793</u>	<u>(7,185)</u>	<u>216,988</u>
0100	Fund balances, beginning of year, as previously reported	6,310,600	804,653	1,068,786	5,061	8,189,100
	Prior period adjustment	-	-	-	192,372	192,372
0100	Fund balances, beginning of year, as restated	<u>6,310,600</u>	<u>804,653</u>	<u>1,068,786</u>	<u>197,433</u>	<u>8,381,472</u>
3000	Fund balances, end of year	<u>\$ 6,105,277</u>	<u>1,211,356</u>	<u>1,091,579</u>	<u>190,248</u>	<u>8,598,460</u>

See accompanying notes to financial statements.

Whitney Independent School District

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

Year Ended August 31, 2019

Net change in fund balances - total governmental funds (Exhibit C-3)	\$ 216,988
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,921,737) exceeded capital expenditures (\$554,539) in the current period.	(1,367,198)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	56,120
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	811,452
Governmental funds report contributions to pension/OPEB plans as expenditures, whereas pension/OPEB expense is recognized in the statement of activities. This is the amount by which pension/OPEB expense (\$491,853) in the current period exceeded contributions to pension/OPEB plans (\$354,306).	<u>(137,547)</u>
Change in net position of governmental activities (Exhibit B-1)	<u>\$ (420,185)</u>

See accompanying notes to financial statements.

Whitney Independent School DistrictStatement of Fiduciary Net Position -
Fiduciary Fund

August 31, 2019

	<u>Private Purpose Trust Fund</u>
Assets	
Cash and cash equivalents	\$ <u>42,807</u>
Total assets	<u><u>42,807</u></u>
Net Position	
Held in trust for scholarships	\$ <u><u>42,807</u></u>

See accompanying notes to financial statements.

Whitney Independent School District
Statement of Changes in Net Position -
Fiduciary Fund
 Year Ended August 31, 2019

	<u>Private Purpose Trust Fund</u>
Additions	
Interest	\$ <u>98</u>
Total additions	<u>98</u>
Deductions	
Scholarships awarded	<u>2,250</u>
Total deductions	<u>2,250</u>
Change in net position	(2,152)
Net position, beginning of year	<u>44,959</u>
Net position, end of year	\$ <u><u>42,807</u></u>

See accompanying notes to financial statements.

Whitney Independent School District

Notes to Financial Statements

August 31, 2019

(1) Summary of Significant Accounting Policies

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 Whitney Independent School District (the “District”). Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters; the District is not included in any other governmental “reporting entity”. Also, no component units were identified or included within the reporting entity.

The accounting policies of the District substantially comply with the rules prescribed in the Texas Education Agency’s (“TEA”) Financial Accountability System Resource Guide. These accounting policies generally conform to generally accepted accounting principles applicable to governmental units.

(a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

(b) Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements and the private purpose trust fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a

Whitney Independent School District

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (continued)

(b) Measurement focus, basis of accounting
and financial statement presentation (continued)

liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

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

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

The capital projects fund accounts for construction projects funded by general obligation bond proceeds.

Additionally, the District reports the following fund type:

The private purpose trust fund accounts for resources legally held in trust for scholarships to be awarded to current and former students for post-secondary education. All resources of the fund, including any earnings on invested resources, may be used to support the activities listed in the preceding sentence.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Whitney Independent School District

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (continued)

(c) Investments

State statutes authorize the District to invest in obligations of the United States or its agencies and instrumentalities and state or local governments, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The District's local investment policy limits the District to invest in obligations of the United States or its agencies and instrumentalities, fully collateralized repurchase agreements by obligations of the United States or its agencies and instrumentalities, money market mutual funds, and local government investment pools.

Investments are reported at fair value, except for governmental investment pools. The governmental investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost.

(d) Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(e) Capital assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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.

Whitney Independent School District

Notes to Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(e) Capital assets (continued)

Buildings and improvements, and furniture and equipment (including vehicles) are depreciated using the straight-line method over their estimated useful lives:

	<u>Years</u>
Buildings and improvements	10 - 50
Furniture and equipment	5 - 15

(f) Compensated absences

District employees are entitled to vacation and sick leave days earned by them for services performed. Vacation days lapse at the end of the year and have not been accrued. Sick days do accumulate, but employees are not paid the benefits on termination or retirement if they are not used. Consequently, the benefits have not been accrued.

(g) Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

(h) Pensions

The fiduciary net position of the Teacher Retirement System of Texas (“TRS”) has been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources

Whitney Independent School District

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (continued)

(h) Pensions (continued)

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 benefit terms. Investments are reported at fair value.

(i) Other post-employment benefits

The fiduciary net position of the Texas Retirement System of Texas ("TRS") TRS Care Plan ("TRS-Care") 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.

(j) Deferred outflows and deferred inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

(k) Fund equity and net position

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Board of School Trustees through an ordinance. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed.

Whitney Independent School District

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (continued)

(k) Fund equity and net position (continued)

Assignments are made by District management based upon Board direction. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

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

(l) Data control codes

Data control codes refer to the account code structure prescribed by the TEA in the Resource Guide.

(2) Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$49,766,065 difference are as follows:

Bonds payable	\$ (34,800,000)
Premium on issuance	(2,704,804)
Deferred charge on refunding	15,861
Accumulated accretion on capital appreciation bonds	(1,565,649)
Accrued interest payable	(64,342)
Net pension / OPEB liabilities, and related deferred inflows of \$3,269,251 and deferred outflows of \$2,346,708	<u>(10,647,131)</u>
	<u>\$ (49,766,065)</u>

Whitney Independent School District

Notes to Financial Statements
(Continued)

(2) Reconciliation of Government-Wide and Fund Financial Statements (continued)

The governmental statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances of total governmental funds and changes in net position of governmental activities as reported in the government-wide financial statements. An element of that reconciliation states that “the issuance of long-term debt (e.g., bonds and leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$811,452 difference are as follows:

Principal repayments:	
General obligation and refunding bonds	\$ 930,000
Amortization of premiums received on issuance of bonds	139,719
Amortization of deferred charge on refunding of bonds	(15,862)
Accumulated accretion on capital appreciation bonds	(242,841)
Accrued interest payable	<u>436</u>
	<u>\$ 811,452</u>

(3) Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for certain special revenue funds and capital project funds, which adopt project-length budgets. All annual appropriations lapse at fiscal year-end. By August 20, the budget is legally adopted through passage of an appropriate ordinance by the Board of School Trustees.

The appropriated budget is prepared by fund, function, object code, program intent code, and location. The District’s management may make transfers of appropriations within a function. Transfers or appropriations between functions require the approval of the Board of School Trustees. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the function level.

Differences between the original budget and the final amended budget for expenditures and transfers out amounted to approximately \$300,000. The primary differences consisted of \$378,000 for the roof replacements due to hail and wind damage, \$100,000 for transfers to the Child Nutrition fund to cover current year operating deficits, offset by a decrease in data processing services of \$231,000 for budgeted technology improvements that were not spent in the current year.

Whitney Independent School District

Notes to Financial Statements
(Continued)

(3) Budgetary Information (continued)

Encumbrance accounting is employed in the governmental funds. Encumbrances (i.e. purchase orders, contracts) outstanding at year-end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no significant encumbrances outstanding at August 31, 2019.

(4) Deposits and Investments

Investments of the District at August 31, 2019, consist of the following:

Investments	Amortized Cost	Weighted Average Maturity (in Days)
Public funds investment pool:		
Texas Local Government Investment Pool ("TexPool")	\$ 3,274,900	38

The public funds investment pool has been created pursuant to the Interlocal Corporation Act of the State of Texas. The District has delegated the authority to hold legal title to TexPool, as custodian, to make investment purchases with the District's funds.

TexPool. The Comptroller of Public Accounts (the "Comptroller") is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. Additionally, the Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. There are no maximum transaction amounts and withdrawals from TexPool may be made daily. TexPool uses amortized cost rather than fair value to report net assets share price.

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the maturity of its investment portfolio. The term of any collateralized mortgage obligation is limited to ten years, repurchase agreements may not exceed 90 days, banker's acceptances and commercial paper must have a stated maturity of 270 days or less, no-load money market mutual funds must have a dollar-weighted averaged stated maturity of 90 days or less, and no-load mutual funds must have an average weighted average maturity of less than two years. The maximum allowable stated maturity of any other individual investment owned by the District cannot exceed one year.

Whitney Independent School District

Notes to Financial Statements (Continued)

(4) Deposits and Investments (continued)

Credit Risk

It is the District's policy to limit its investments in a manner that ensures the preservation of capital in the overall portfolio. Specifically, repurchase agreements must be secured by obligations of the United States or its agencies, commercial paper must be rated not less than A-1 or P-1, no-load mutual funds must be rated not less than AAA or its equivalent, and public funds investment pools must be continuously rated no lower than AAA or AAAM or at an equivalent rating. At August 31, 2019, TexPool is rated AAAM by Standard & Poor's.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a depository contract with a financial institution and monitors its deposits to ensure its bank deposits are insured or fully collateralized with securities held by the pledging financial institution's agent in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of the highest combined deposit during 2019:

- (a) Depository: Citizens State Bank
- (b) The market value of securities pledged as of the date of the highest combined balance on deposit was \$11,788,396.
- (c) The highest combined balance of cash, savings, and time deposit accounts amounted to \$9,992,078 and occurred during the month of March 2019.
- (d) Total amount of FDIC coverage at the time of largest combined balance was \$250,000.

(5) Property Taxes

Property taxes are levied by October 1 on the assessed value 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.

The assessed value at January 1, 2018, on which the 2018 levy was based, was \$545,441,228. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District's maximum legal maintenance and operations tax rate is \$1.17 per \$100 valuation; the current maintenance and operations tax rate is \$1.17 per \$100 valuation.

Whitney Independent School District

Notes to Financial Statements
(Continued)

(5) Property Taxes (continued)

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based upon historical experience in collecting property taxes.

Uncollectible personal property taxes are periodically reviewed and written-off, but the District is prohibited from writing-off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible amounts was \$296,848 at August 31, 2019.

(6) Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State of Texas through the school foundation and per capita programs. Amounts due from federal and state governments as of August 31, 2019 are summarized below:

<u>Fund</u>	<u>State Aid</u>	<u>Federal/State Programs</u>	<u>Total</u>
General	\$ 652,284	-	652,284
Other governmental	-	150,014	150,014
Totals	<u>\$ 652,284</u>	<u>150,014</u>	<u>802,298</u>

(7) Interfund Balances and Transfers

Interfund receivable and payable balances at August 31, 2019 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 93,458	5,943
Debt service	-	2,384
Capital projects	2,384	565
Other governmental	-	86,950
	<u>\$ 95,842</u>	<u>95,842</u>

Interfund balances resulted from the time lag between the dates that payments between funds are made.

In the year ended August 31, 2019, the general fund made operating transfers to other governmental funds for \$190,000 to cover the current year operating deficit in the child nutrition fund.

Whitney Independent School District

Notes to Financial Statements (Continued)

(8) Capital Assets

Capital asset activity for governmental activities for the year ended August 31, 2019 was as follows:

	Balance September 1, 2018	Increases	Decreases	Balance August 31, 2019
Capital assets not being depreciated:				
Land	\$ 823,008	-	-	823,008
Total capital assets not being depreciated	823,008	-	-	823,008
Capital assets being depreciated:				
Buildings and improvements	52,139,682	483,736	-	52,623,418
Furniture and equipment	7,385,671	70,803	-	7,456,474
Total capital assets being depreciated	59,525,353	554,539	-	60,079,892
Less accumulated depreciation for:				
Buildings and improvements	\$ (19,292,332)	(1,371,438)	-	(20,663,770)
Furniture and equipment	(4,370,237)	(550,299)	-	(4,920,536)
Total accumulated depreciation	(23,662,569)	(1,921,737)	-	(25,584,306)
Total capital assets being depreciated, net	35,862,784	(1,367,198)	-	34,495,586
	\$ 36,685,792	(1,367,198)	-	35,318,594

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instruction	\$ 971,186
Instructional resources and media services	66,934
Instructional leadership	9,220
School leadership	4,979
Guidance, counseling, and evaluation services	7,007
Health services	9,220
Student transportation	148,452
Food services	129,073
Extracurricular activities	228,829
Administration	48,679
Facilities maintenance and operations	180,150
Data processing	118,008
Total depreciation expense	\$ 1,921,737

Whitney Independent School District

Notes to Financial Statements
(Continued)

(9) Long-Term Debt

Long-term debt consists of bonded indebtedness, accumulated accretion on capital appreciation bonds, and net pension/OPEB liabilities. The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The net pension/OPEB liabilities are generally liquidated by the general fund and certain special revenue funds.

The following is a summary of changes in long-term debt for the year ended August 31, 2019:

	Balance September 1, 2018	Additions	Deletions	Balance August 31, 2019	Due Within One Year
General and refunding					
bonds	\$ 35,730,000	-	930,000	34,800,000	965,000
Premiums	2,844,523	-	139,719	2,704,804	-
Total bonds payable	<u>38,574,523</u>	-	1,069,719	37,504,804	965,000
Accumulated accretion on					
capital appreciation bonds	1,322,808	242,841	-	1,565,649	-
Net pension liability	2,205,880	1,562,742	-	3,768,622	-
Net OPEB liability	<u>6,027,420</u>	-	71,454	5,955,966	-
	<u>\$ 48,130,631</u>	<u>1,805,583</u>	<u>1,141,173</u>	<u>48,795,041</u>	<u>965,000</u>

General obligation and refunding bonds at August 31, 2019 consist of the following individual issues:

\$5,225,000 Unlimited tax refunding bonds, series 2010 due in annual installments of \$95,000 to \$625,000 through August 2020, interest at 2% to 4%	\$ 365,000
\$24,645,000 Unlimited tax school building bonds, series 2012 due in annual installments of \$70,000 to \$1,750,000 through August 2042, interest at 2.5% to 5%	23,725,000
\$10,940,000 Unlimited tax school building bonds, series 2015 due in annual installments of \$5,000 to \$2,260,000 through August 2045, interest at 2% to 5%	<u>10,710,000</u>
	<u>\$ 34,800,000</u>

Whitney Independent School District

Notes to Financial Statements
(Continued)

(9) Long-Term Debt (continued)

The bond indentures contain certain restrictions for the maintenance of and flow of monies through various restricted accounts. The District is in compliance with all such significant financial limitations and restrictions.

Annual debt service payment requirements to maturity for general obligation and refunding bonds are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2020	\$ 965,000	1,447,706	2,412,706
2021	235,000	2,180,106	2,415,106
2022	215,000	2,196,206	2,411,206
2023	210,000	2,206,006	2,416,006
2024	1,015,000	1,400,406	2,415,406
2025-2029	5,535,000	6,531,493	12,066,493
2030-2034	6,535,000	5,527,644	12,062,644
2035-2039	8,160,000	3,911,519	12,071,519
2040-2044	10,375,000	1,698,550	12,073,550
2045	1,555,000	62,200	1,617,200
Totals	\$ 34,800,000	27,161,836	61,961,836

(10) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. 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.

Whitney Independent School District

Notes to Financial Statements
(Continued)

(11) Deferred Outflows and Inflows of Resources

The statement of financial position and the balance sheet include the following deferred outflows / inflows of resources at August 31, 2019:

	Statement of Net Position	Balance Sheet	
	Governmental Activities	General Fund	Debt Service Fund
Deferred outflows of resources:			
Deferred charge on refunding Pension / OPEB related:	\$ 15,861	-	-
District contributions subsequent to the measurement date	354,306	-	-
Differences between expected and actual experience	339,551	-	-
Changes in assumptions	1,458,159	-	-
Net differences between projected and actual earnings	1,042	-	-
Changes in proportion	193,650	-	-
	\$ 2,362,569	-	-
	Statement of Net Position	Balance Sheet	
	Governmental Activities	General Fund	Debt Service Fund
Deferred inflows of resources:			
Unavailable property taxes	\$ -	646,764	243,780
Pension / OPEB related:			
Differences between expected and actual experience	186,461	-	-
Changes in assumptions	1,831,888	-	-
Net differences between projected and actual earnings	71,507	-	-
Changes in proportion	1,179,395	-	-
	\$ 3,269,251	646,764	243,780

Whitney Independent School District

Notes to Financial Statements
(Continued)

(12) Revenues from Local and Intermediate Sources

During the year ended August 31, 2019, revenues from local and intermediate sources reported in the governmental fund financial statements consisted of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Govern- mental</u>	<u>Total</u>
Property taxes	\$ 7,122,841	2,692,209	-	-	9,815,050
Penalties, interest and other tax-related income	162,981	48,912	-	-	211,893
Food sales	-	-	-	229,778	229,778
Investment income	81,761	5,636	22,793	-	110,190
Insurance recoveries	446,809	-	-	-	446,809
Extracurricular activities	116,060	-	-	356,839	472,899
Other	199,454	-	-	-	199,454
	<u>\$ 8,129,906</u>	<u>2,746,757</u>	<u>22,793</u>	<u>586,617</u>	<u>11,486,073</u>

(13) Defined Benefit Pension Plan

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”) and 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 (“IRC”). 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 TRS.

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

Whitney Independent School District

Notes to Financial Statements
(Continued)

(13) Defined Benefit Pension Plan (continued)

Benefits Provided: TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of credited service or earlier than 55 with 30 years of credited service. 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 cost-of-living adjustments (COLAs). Ad-hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	Contributions Rates	
	Plan Fiscal Year	
	2018	2019
Member (employees)	7.7%	7.7%
Non-employer contributing entity (State)	6.8%	6.8%
Employer (the District)	6.8%	6.8%

Whitney Independent School District

Notes to Financial Statements
(Continued)

(13) Defined Benefit Pension Plan (continued)

	<u>Contributions Required and Made</u>
Member (employees)	\$ 693,185
Non-employer contributing entity (State)	489,434
District	279,833

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

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

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

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

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

Whitney Independent School District

Notes to Financial Statements
(Continued)

(13) Defined Benefit Pension Plan (continued)

Actuarial Assumptions: The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	6.907%
Long-term expected investment rate of return	7.25%
Inflation	2.30%
Salary increases, including inflation	3.05% to 9.05%, including inflation
Payroll growth rate	2.50%
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

Discount Rate: The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2018 are summarized below:

Whitney Independent School District

Notes to Financial Statements
(Continued)

(13) Defined Benefit Pension Plan (continued)

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2018

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.4%
Stable Value:			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return:			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy and Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity:			
Risk Parity	5.0%		0.2%
Inflation expectation			2.3%
Volatility drag *			-0.8%
Total	100%		7.2%

* The volatility drag results from the conversion between arithmetic and geometric mean returns.

Whitney Independent School District

Notes to Financial Statements
(Continued)

(13) Defined Benefit Pension Plan (continued)

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 (6.907%) in measuring the 2018 net pension liability:

	1% Decrease (5.907%)	Current Discount Rate (6.907%)	1% Increase (7.907%)
District's proportionate share of the net pension liability	\$ <u>5,687,755</u>	<u>3,768,622</u>	<u>2,214,971</u>

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

At August 31, 2019, the District reported a liability of \$3,768,622 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for the State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 3,768,622
State's proportionate share of the net pension liability associated with the District	<u>7,872,957</u>
Total	<u>\$ 11,641,579</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 through August 31, 2018.

At August 31, 2018, the District's proportion of the collective net pension liability was 0.0000684676, which was a decrease of 0.0000005209 from its proportion measured as of August 31, 2017.

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

Whitney Independent School District

Notes to Financial Statements
(Continued)

(13) Defined Benefit Pension Plan (continued)

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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, 2019, the District recognized total pension expense of \$1,253,766. Of the total pension expense, for the measurement period ended August 31, 2018, the District recognized pension expense of \$779,213 and revenue of \$481,547 for support provided by the State.

At August 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 279,833	-
Differences between expected and actual experience	23,490	92,467
Changes in assumptions	1,358,770	42,462
Net difference between projected and actual earnings on pension plan investments	-	71,507
Changes in proportion	<u>193,629</u>	<u>119,497</u>
Total	<u>\$ 1,855,722</u>	<u>325,933</u>

Whitney Independent School District

Notes to Financial Statements
(Continued)

(13) Defined Benefit Pension Plan (continued)

The \$279,833 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended August 31,</u>		
2020	\$	342,927
2021		192,450
2022		152,798
2023		208,311
2024		206,331
Thereafter		147,139

(14) Defined Other Post-Employment Benefit Plans

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.

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.

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

Whitney Independent School District

Notes to Financial Statements
(Continued)

(14) Defined Other Post-Employment Benefit Plans (continued)

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.

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 a retiree with and without Medicare coverage.

	Medicare	Non-Medicare
Retiree*	\$ 135	200
Retiree and spouse	529	689
Retiree* and children	468	408
Retiree and family	1,020	999

**or surviving spouse*

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 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% 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.

	Contributions Rates	
	Plan Fiscal Year	
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%

Whitney Independent School District

Notes to Financial Statements
(Continued)

(14) Defined Other Post-Employment Benefit Plans (continued)

	Contributions Required and Made
Member (Employees)	\$ 58,516
Non-employer contributing agency (State)	112,530
District	74,473

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.

TRS-Care received supplemental appropriations from the State of Texas as the non-employer contributing entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in a one-time, supplemental funding for the FY 2018-19 biennium to continue to support the program. This was also received in FY 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Discount rate *	3.69%
Aging Factors	Based upon plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.

Whitney Independent School District

Notes to Financial Statements
(Continued)

(14) Defined Other Post-Employment Benefit Plans (continued)

Actuarial Methods and Assumptions (continued):

Payroll growth rate	2.50%
Projected salary increases **	3.05% to 9.05%
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's Index's "20-Year Municipal GO AA Index" as of August 31, 2018.

** Includes inflation at 2.30%

*** Initial trend rates are 6.75% for non-Medicare retirees; 9.00% for Medicare retirees and 11.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% 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.

Discount Rate Sensitivity Analysis. 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 (3.69%) in measuring the net OPEB liability.

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
District's proportionate share of the net pension liability	\$ <u>7,089,646</u>	<u>5,955,966</u>	<u>5,059,152</u>

Whitney Independent School District

Notes to Financial Statements
(Continued)

(14) Defined Other Post-Employment Benefit Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2019, the District reported a liability of \$5,955,966 for its proportionate shares of the TRS-Care’s net OPEB liability. The 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 collective net OPEB liability	\$ 5,955,966
State's proportionate share of the net OPEB liability that is associated with the District	<u>7,518,884</u>
Total	<u><u>\$ 13,474,850</u></u>

The net OPEB liability was measured as of August 31, 2017 and rolled to August 31, 2018, 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, 2017 thru August 31, 2018.

At August 31, 2018, the employer’s proportion of the collective net OPEB liability was 0.000119284 compared to 0.000138605 as of August 31, 2017.

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase (9.5%)
District's proportionate share of the net pension liability	<u>\$ 4,946,527</u>	<u>5,955,966</u>	<u>7,285,419</u>

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:

Whitney Independent School District

Notes to Financial Statements (Continued)

(14) Defined Other Post-Employment Benefit Plans (continued)

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The healthcare trend rate assumptions were updated to reflect the anticipated return of the health insurer fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability by \$2.3 billion.

The following are changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement period. The 85th Texas Legislature passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventative drugs and provides a zero premium for disability retirees who retired as a disabled retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed TRS to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 to 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized a total OPEB benefit of \$290,792. Of the total OPEB benefit, for the measurement period ended August 31, 2018, the District recognized OPEB expense of \$273,492 and revenue of \$103,735 for support provided by the State.

Whitney Independent School District

Notes to Financial Statements
(Continued)

(14) Defined Other Post-Employment Benefit Plans (continued)

At August 31, 2019, the District reported its proportionate share of TRS-Care’s deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
District contributions subsequent to the measurement date	\$ 74,473	-
Differences between expected and actual experience	316,061	93,994
Changes in assumptions	99,389	1,789,426
Net difference between projected and actual earnings	1042	-
Changes in proportion	<u>21</u>	<u>1,059,898</u>
Total	<u>\$ 490,986</u>	<u>2,943,318</u>

The \$74,473 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended August 31,</u>	
2020	\$ (366,259)
2021	(366,259)
2022	(366,259)
2023	(366,456)
2024	(366,569)
Thereafter	(695,003)

(15) Retiree Medicare Part D Coverage

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. Federal contributions to TRS made on behalf of the employees for the years ended August 31, 2019, 2018 and 2017, were \$33,719, \$26,452, and \$25,247, respectively.

Whitney Independent School District

Notes to Financial Statements (Continued)

(16) Contingencies

The District participates in a number of federal award programs. Although the programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through August 31, 2019, these programs are still subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

(17) Economic Dependency

During the year ended August 31, 2019, the District received approximately 33% of its revenues from the State of Texas.

(18) Prior Period Adjustments

During the current year, the District determined that revenues, expenditures, and the related fund balance for the campus activity fund from the prior year had not been properly recognized. Accordingly, fund balance and net position at September 1, 2018 was increased by \$192,372 for other governmental funds and governmental activities, respectively.

Additionally, the District determined that certain pension/OPEB related deferred outflows at August 31, 2018 had been overstated. Accordingly, net position at September 1, 2018 was decreased by \$767,603 for governmental activities.

(19) Authoritative Pronouncements Not Yet Effective

A summary of pronouncements issued by the Governmental Accounting Standards Board (“GASB”) which may impact the District but are not yet effective follows. The District has not yet determined the effects of the adoption of these pronouncements on the financial statements.

GASB Statement No. 84, *Fiduciary Activities* (issued January 2017) – the objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018.

Whitney Independent School District

Notes to Financial Statements
(Continued)

(19) Authoritative Pronouncements Not Yet Effective (continued)

GASB Statement No. 87, Leases (issued June 2017) – the objective of this statement is to increase the usefulness of governments’ financial statements by requiring reporting of certain lease liabilities that are currently not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The statement will also require notes to financial statements related to the timing, significance, and purpose of a government’s leasing arrangements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019.

Required Supplementary Information

Whitney Independent School District
Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual – General Fund

Year Ended August 31, 2019

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 7,439,116	7,449,116	8,129,906	680,790
5800	State program revenues	6,903,944	6,903,944	6,412,029	(491,915)
5900	Federal program revenues	302,530	302,530	708,162	405,632
5020	Total revenues	<u>14,645,590</u>	<u>14,655,590</u>	<u>15,250,097</u>	<u>594,507</u>
	Expenditures:				
	Current:				
0011	Instruction	7,751,800	7,658,037	7,316,677	341,360
0012	Instructional resources and media services	238,932	209,900	203,735	6,165
0013	Curriculum and instructional staff development	5,525	5,525	4,066	1,459
0021	Instructional leadership	195,720	195,720	184,175	11,545
0023	School leadership	681,981	775,624	769,667	5,957
0031	Guidance, counseling and evaluation services	375,895	375,895	335,250	40,645
0033	Health services	168,723	168,723	147,928	20,795
0034	Student transportation	658,339	644,339	560,768	83,571
0036	Extracurricular activities	644,433	704,433	678,757	25,676
0041	General administration	819,878	819,878	761,393	58,485
0051	Facilities maintenance and operations	1,911,231	2,289,231	2,186,725	102,506
0052	Security and monitoring services	88,450	88,450	60,944	27,506
0053	Data processing services	1,171,468	940,619	880,523	60,096
0093	Payments to fiscal agent of shared services arrangement	839,629	839,629	839,629	-
0095	Payments to JJAEP	17,000	49,800	36,870	12,930
0099	Payments to county appraisal district	315,000	315,000	298,313	16,687
6000	Total expenditures	<u>15,884,004</u>	<u>16,080,803</u>	<u>15,265,420</u>	<u>815,383</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(1,238,414)</u>	<u>(1,425,213)</u>	<u>(15,323)</u>	<u>1,409,890</u>
	Other financing sources (uses):				
8911	Transfers out	<u>(150,000)</u>	<u>(250,000)</u>	<u>(190,000)</u>	<u>60,000</u>
	Total other financing uses	<u>(150,000)</u>	<u>(250,000)</u>	<u>(190,000)</u>	<u>60,000</u>
1200	Net change in fund balance	(1,388,414)	(1,675,213)	(205,323)	1,469,890
0100	Fund balance, at beginning of year	<u>6,310,600</u>	<u>6,310,600</u>	<u>6,310,600</u>	<u>-</u>
3000	Fund balance, at end of year	<u>\$ 4,922,186</u>	<u>4,635,387</u>	<u>6,105,277</u>	<u>1,469,890</u>

See accompanying independent auditor's report and Note to Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

Whitney Independent School District

Note to Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual –
General Fund

Year Ended August 31, 2019

(1) Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, the child nutrition fund, and the debt service fund. Budgets are not legally adopted for capital projects funds; however, specific projects are individually approved by the Board of School Trustees.

Differences between the original budget and the final amended budget for expenditures and transfers out amounted to approximately \$300,000. The primary differences consisted of \$378,000 for the roof replacements due to hail and wind damage, \$100,000 for transfers to the Child Nutrition fund to cover current year operating deficits, offset by a decrease in data processing services of \$231,000 for budgeted technology improvements that were not spent in the current year.

Whitney Independent School District

Schedule of the District's Proportionate
Share of the Net Pension Liability
Teacher Retirement System of Texas

Last Ten Measurement Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.000068468	0.000068988	0.000073105	0.000075149	0.000058173
District's proportion share of the net pension liability	\$ 3,768,622	2,205,880	2,762,528	2,665,961	1,553,881
State's proportionate share of the net pension liability associated with the District	<u>7,872,957</u>	<u>4,701,698</u>	<u>5,480,896</u>	<u>5,292,736</u>	<u>5,080,908</u>
Total	<u>\$ 11,641,579</u>	<u>6,907,578</u>	<u>8,243,424</u>	<u>7,958,697</u>	<u>6,634,789</u>
District's covered payroll (for measurement year)	<u>\$ 8,736,813</u>	<u>8,454,233</u>	<u>8,018,068</u>	<u>7,758,777</u>	<u>9,008,310</u>
District's proportionate share of the net pension liability as a percentage of it's covered payroll	<u>43.13%</u>	<u>26.09%</u>	<u>34.45%</u>	<u>34.36%</u>	<u>17.25%</u>
Plan's fiduciary net position as a percentage of the total pension liability	<u>73.74%</u>	<u>82.17%</u>	<u>78.00%</u>	<u>78.43%</u>	<u>83.25%</u>

Note: The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27*, effective September 1, 2014. Information for years prior to 2014 is not available.

See accompanying independent auditor's report.

Whitney Independent School District
Schedule of the District's Contributions to the
Teacher Retirement System of Texas

Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 279,833	230,650	232,273	223,318	147,486
Contributions in relation to the contractually required contributions	<u>279,833</u>	<u>230,650</u>	<u>232,273</u>	<u>223,318</u>	<u>147,486</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	<u>\$ 9,002,407</u>	<u>8,736,813</u>	<u>8,454,233</u>	<u>8,018,068</u>	<u>7,758,777</u>
Contractually required contributions as a percentage of the District's covered payroll	<u>3.11%</u>	<u>2.64%</u>	<u>2.75%</u>	<u>2.79%</u>	<u>1.90%</u>

Note: The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27*, effective September 1, 2014. Information for years prior to 2015 is not available.

See accompanying independent auditor's report.

Whitney Independent School DistrictSchedule of the District's Proportionate
Share of the Net OPEB Liability
TRS-Care

Last Ten Measurement Years

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.000119284	0.000138605
District's proportion share of the net OPEB liability	\$ 5,955,966	6,027,420
State's proportionate share of the net OPEB liability associated with the District	<u>7,518,884</u>	<u>6,686,492</u>
Total	<u>\$ 13,474,850</u>	<u>12,713,912</u>
District's covered payroll (for measurement year)	<u>\$ 8,736,813</u>	<u>8,454,233</u>
District's proportionate share of the net OPEB liability as a percentage of it's covered payroll	<u>68.17%</u>	<u>71.29%</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	<u>1.57%</u>	<u>0.91%</u>

Note: The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective September 1, 2017. Information for years prior to 2017 is not available.

See accompanying independent auditor's report.

Whitney Independent School DistrictSchedule of the District's Contributions
TRS-Care

Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 74,473	79,769
Contributions in relation to the contractually required contributions	<u>74,473</u>	<u>79,769</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
District's covered payroll	<u>\$ 9,002,407</u>	<u>8,736,813</u>
Contractually required contributions as a percentage of the District's covered payroll	<u>0.83%</u>	<u>0.91%</u>

Note: The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective September 1, 2017. Information for years prior to 2018 is not available.

See accompanying independent auditor's report.

Other Supplementary Schedules

Whitney Independent School District

Combining Schedule

Balance Sheet – Other Governmental Funds

August 31, 2019

Data Control Codes	211	240	265	270	289	397	410	429	461	Total Other Governmental Funds
	ESEA Title I, Part A	Child Nutrition	ESEA Title IV, Part B	ESEA Title VI, Part B	Other Federal	Advanced Placement Initiatives	State Textbooks	Other State	Campus Activities	
Assets										
1110	\$ -	13,328	-	-	-	450	-	-	181,832	195,610
1240	102,005	32,637	15,372	-	-	-	-	-	-	150,014
	<u>\$ 102,005</u>	<u>45,965</u>	<u>15,372</u>	<u>-</u>	<u>-</u>	<u>450</u>	<u>-</u>	<u>-</u>	<u>181,832</u>	<u>345,624</u>
Liabilities and Fund Balances										
2110	\$ -	1,071	-	-	-	-	-	-	2,405	3,476
2160	27,441	33,814	-	-	-	-	-	-	-	61,255
2170	71,578	-	15,372	-	-	-	-	-	-	86,950
2200	2,986	709	-	-	-	-	-	-	-	3,695
	<u>102,005</u>	<u>35,594</u>	<u>15,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,405</u>	<u>155,376</u>
3450	-	10,371	-	-	-	450	-	-	-	10,821
3590	-	-	-	-	-	-	-	-	179,427	179,427
	<u>-</u>	<u>10,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450</u>	<u>-</u>	<u>-</u>	<u>179,427</u>	<u>190,248</u>
	<u>\$ 102,005</u>	<u>45,965</u>	<u>15,372</u>	<u>-</u>	<u>-</u>	<u>450</u>	<u>-</u>	<u>-</u>	<u>181,832</u>	<u>345,624</u>

See accompanying independent auditor's report.

Whitney Independent School District

Combining Schedule

Revenues, Expenditures, and Changes in Fund Balances –
Other Governmental Funds

Year Ended August 31, 2019

Data Control Codes	211	240	265	270	289	397	410	429	461	Total Other Governmental Funds
	ESEA Title I, Part A	Child Nutrition	ESEA Title IV, Part B	ESEA Title VI, Part B	Other Federal	Advanced Placement Initiatives	State Textbooks	Other State	Campus Activities	
Revenues:										
5700	\$ -	229,778	-	-	-	-	-	-	356,839	586,617
5800	-	34,840	-	-	-	-	80,041	350	-	115,231
5900	298,133	614,540	-	27,255	22,583	-	-	-	-	962,511
5020	298,133	879,158	-	27,255	22,583	-	80,041	350	356,839	1,664,359
Expenditures:										
Current:										
0011	298,133	-	-	27,255	22,583	-	80,041	350	-	428,362
0035	-	1,063,398	-	-	-	-	-	-	-	1,063,398
0036	-	-	-	-	-	-	-	-	369,784	369,784
6000	298,133	1,063,398	-	27,255	22,583	-	80,041	350	369,784	1,861,544
1100	-	(184,240)	-	-	-	-	-	-	(12,945)	(197,185)
Other financing uses:										
7915	-	190,000	-	-	-	-	-	-	-	190,000
1200	-	5,760	-	-	-	-	-	-	(12,945)	(7,185)
0100	-	4,611	-	-	-	450	-	-	-	5,061
	-	-	-	-	-	-	-	-	192,372	192,372
	-	4,611	-	-	-	450	-	-	192,372	197,433
3000	\$ -	10,371	-	-	-	450	-	-	179,427	190,248

See accompanying independent auditor's report.

Whitney Independent School District
Schedule of Delinquent Taxes Receivable
Year Ended August 31, 2019

Last Ten Years Ended August 31,	1	2	3	10	20	31	32	40	50
	Maintenance	Tax Rates Debt Service	Assessed Value For School Tax Purposes	Beginning Balance September 1, 2018	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2019
2010 and prior years	various	various	\$ 66,270	-	14,656	1,933	2,987	52,668	
2011	1.170000	0.012580	474,134,153	29,576	6,394	843	(467)	21,872	
2012	1.170000	0.012580	467,067,036	36,147	7,145	77	(1,134)	27,791	
2013	1.170000	0.133200	476,094,420	51,608	3,613	401	(3,478)	44,116	
2014	1.170000	0.132150	478,818,560	77,024	10,675	1,206	(2,709)	62,434	
2015	1.170000	0.131610	482,845,854	89,643	10,752	1,209	(6,536)	71,146	
2016	1.170000	0.450600	482,199,409	138,483	18,205	7,011	(2,998)	110,269	
2017	1.170000	0.441100	501,270,080	218,640	41,801	15,756	(6,826)	154,257	
2018	1.170000	0.441000	520,134,665	433,545	121,963	45,970	(24,336)	241,276	
2019 (school year under audit)	1.170000	0.441000	545,441,228	-	9,953,710	6,902,347	(48,137)	401,563	
100 Totals			\$ 1,140,936	9,953,710	7,137,551	2,676,069	(93,634)	1,187,392	

See accompanying independent auditor's report.

Whitney Independent School District

Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Child Nutrition Fund

Year Ended August 31, 2019

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 252,500	261,200	229,778	(31,422)
5800	State program revenues	34,400	34,400	34,840	440
5900	Federal program revenues	<u>574,000</u>	<u>574,000</u>	<u>614,540</u>	<u>40,540</u>
5000	Total revenues	<u>860,900</u>	<u>869,600</u>	<u>879,158</u>	<u>9,558</u>
	Expenditures:				
0035	Food service	<u>1,125,852</u>	<u>1,134,552</u>	<u>1,063,398</u>	<u>71,154</u>
6030	Total expenditures	<u>1,125,852</u>	<u>1,134,552</u>	<u>1,063,398</u>	<u>71,154</u>
1100	Excess (deficiency) of revenues over (under) expenditures	(264,952)	(264,952)	(184,240)	80,712
	Other financing sources:				
7915	Transfers in	<u>150,000</u>	<u>250,000</u>	<u>190,000</u>	<u>(60,000)</u>
1200	Net change in fund balance	(114,952)	(14,952)	5,760	20,712
0100	Fund balance, at beginning of year	<u>4,611</u>	<u>4,611</u>	<u>4,611</u>	<u>-</u>
3000	Fund balance, at end of year	<u>\$ (110,341)</u>	<u>(10,341)</u>	<u>10,371</u>	<u>20,712</u>

See accompanying independent auditor's report.

Whitney Independent School District

Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – Debt Service Fund

Year Ended August 31, 2019

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget
		Original	Final		
	Revenues:				
5700	Local and intermediate sources	\$ 2,750,523	2,750,523	2,746,757	(3,766)
5800	State program revenues	<u>74,000</u>	<u>74,000</u>	<u>71,802</u>	<u>(2,198)</u>
5000	Total revenues	<u>2,824,523</u>	<u>2,824,523</u>	<u>2,818,559</u>	<u>(5,964)</u>
	Expenditures:				
0071	Debt service	<u>2,411,857</u>	<u>2,411,857</u>	<u>2,411,856</u>	<u>1</u>
6030	Total expenditures	<u>2,411,857</u>	<u>2,411,857</u>	<u>2,411,856</u>	<u>1</u>
1200	Net change in fund balance	412,666	412,666	406,703	(5,963)
0100	Fund balance, at beginning of year	<u>804,653</u>	<u>804,653</u>	<u>804,653</u>	<u>-</u>
3000	Fund balance, at end of year	<u>\$ 1,217,319</u>	<u>1,217,319</u>	<u>1,211,356</u>	<u>(5,963)</u>

See accompanying independent auditor's report.

**Compliance, Internal Control
and Federal Awards**



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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***

The Board of School Trustees
Whitney 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 governmental activities, each major fund, and the aggregate remaining fund information of Whitney Independent School District (the “District”) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 4, 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jaynes. Reitmeier, Boyd + Therrell, P.C.

December 4, 2019



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

The Board of School Trustees
Whitney Independent School District:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Whitney Independent School District (the “District”) 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, 2019. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 on the District’s compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

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 the 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.

Jaynes. Reitmeier, Boyd + Therrell, P.C.

December 4, 2019

Whitney Independent School District
Schedule of Findings and Questioned Costs
Year Ended August 31, 2019

(1) Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- o Material weakness(es) identified? _____ yes x no
- o Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported
- Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- o Material weakness(es) identified? _____ yes x no
- o Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) _____ yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as federal low-risk auditee? x yes no

Whitney Independent School District
Schedule of Findings and Questioned Costs
(Continued)

(2) Financial Statement Findings

None

(3) Federal Award Findings and Questioned Costs

None

Whitney Independent School District
Summary Schedule of Prior Audit Findings

August 31, 2019

None

Whitney Independent School District
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2019

(1)	(2)	(3)	(3)	(3)
Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Education				
<u>Passed Through State Department of Education:</u>				
Title I - Grants to Local Education Agencies	84.010A	19610101109911	\$ -	298,133
ESEA, Title V, Part B - Rural and Low Income	84.358B	19696001109911	-	27,255
ESEA, Title IV, Part A	84.424A	196801109911	-	21,331
ESEA, Title IV, SSAEP	84.369A	69551802	-	1,252
Total U.S. Department of Education			\$ -	347,971
U.S. Department of Health and Human Services				
<u>Passed Through Hill County Shared Services Arrangement:</u>				
Medicaid Administrative Claiming	93.778		-	22,583
Total U.S. Department of Health and Human Services			\$ -	22,583
U.S. Department of Agriculture				
<u>Passed Through State Department of Agriculture:</u>				
School Breakfast Program	10.553	71401901	\$ -	145,620
National School Lunch Program	10.555	71301901	-	409,907
Total Child Nutrition Cluster			-	555,527
U.S.D.A. Commodities	10.565		-	59,013
Total U.S. Department of Agriculture			\$ -	614,540
Total Expenditures of Federal Awards			\$ -	985,094

See accompanying independent auditor's report.

Whitney Independent School District

Notes to Schedule of Expenditures of Federal Awards August 31, 2019

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Whitney Independent School District (the "District") under programs of the federal government for the year ended August 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

(3) Indirect Cost Rate

No indirect costs were claimed by the District for the year ended August 31, 2019.

(4) Reconciliation to Financial Statements

Following is a reconciliation of the schedule of expenditures of federal awards to total federal program revenues per the statement of revenues, expenditures and changes in fund balances – governmental funds for the year ended August 31, 2019:

Expenditures per Schedule of Expenditures of Federal Awards	\$ 985,094
SHARS revenue	<u>685,579</u>
Total federal program revenues per Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 1,670,673</u>