

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED**  
**AUGUST 31, 2019**

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**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2019

TABLE OF CONTENTS

<b><u>Exhibit</u></b>		<b><u>Page</u></b>
	Certificate of Board.....	1
	Independent Auditor's Report.....	2
	Management's Discussion and Analysis .....	4
<b>Basic Financial Statements</b>		
	Government-wide Statements:	
A-1	Statement of Net Position.....	11
B-1	Statement of Activities .....	12
	Governmental Fund Financial Statements:	
C-1	Balance Sheet.....	14
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	16
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance.....	17
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	19
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position – Proprietary Fund.....	20
D-2	Statement of revenues, Expenditures and Changes in Fund Balance – Proprietary Fund .....	21
D-3	Statement of Cash Flows – Proprietary Fund .....	22
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position .....	23
	Notes to the Financial Statements .....	24
<b>Required Supplementary Information</b>		
G-1	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund .....	47
	Notes to Required Budgetary Schedule.....	49
G-2	Schedule to the District's Proportionate Share of the Net Pension Liability – Teacher Retirement System .....	50
G-3	Schedule of the District's Pension Contributions – Teacher Retirement System .....	52

G-4	Schedule of the District's Proportionate Share of the Net OPEB Liability – Teacher Retirement System .....	54
G-5	Schedule of the District's OPEB Contributions – Teacher Retirement System .....	55

### **Combining Statements**

Nonmajor Governmental Funds:

H-1	Combining Balance Sheet .....	56
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	60

### **Required TEA Schedules**

J-1	Schedule of Delinquent Taxes Receivable .....	64
J-4	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – National Breakfast and Lunch Program Fund .....	66
J-5	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Debt Service Fund .....	67

### **Federal Awards Section**

	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 <i>Government Auditing Standards</i> .....	68
	Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with Uniform Guidance .....	70
K-1	Schedule of Expenditures of Federal Awards .....	72
	Notes to Schedule of Expenditures of Federal Awards.....	73
	Schedule of Findings and Questioned Costs .....	74

CERTIFICATE OF BOARD

White Settlement Independent School District  
Name of School District

Tarrant  
County

220920  
Co.-Dist.Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2019, at a meeting of the Board of Trustees of such school district on the 17<sup>th</sup> day of December, 2019.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees of  
White Settlement Independent School District  
White Settlement, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of White Settlement Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise White Settlement Independent School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

## **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 White Settlement 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, budgetary comparison information, and pension and OPEB 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 White Settlement Independent School District's basic financial statements. The combining statements, required TEA schedules and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements, required TEA schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, required TEA schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019 on our consideration of White Settlement Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of White Settlement Independent School District's 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 White Settlement Independent School District's internal control over financial reporting and compliance.

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the White Settlement Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements.

### Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflow of resources at the close of the most recent period by \$94,349,479 (net position - deficit). This is a decrease of \$1,951,261 from the previous year. Contributing to this change is interest accretion on capital appreciation bonds in the amount of \$2,242,636, which decreased net position.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$26,275,875, an increase of \$3,793,184 from the prior year. Contributing to this change were increases in property tax revenues in the General and Debt Service Funds.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$16,358,781 or 29% of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$14,369,615, or 30% of total General Fund expenditures.

### Overview of the Financial Statements

The discussion and analysis 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) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The *government-wide financial 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 information on all of the District's assets, deferred outflows/inflows of resources, and liabilities, with the difference being reported as net position. Over time, increases and 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 on 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 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).

In the District's government-wide financial statements the functions of the District are being principally supported by taxes and intergovernmental revenues (governmental activities) The governmental activities of the District include instruction, school leadership, guidance, counseling and evaluation services, social work services, health services, student transportation, extracurricular activities, general administration, facilities maintenance and operations, security and monitoring services and community services.

**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 statement and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *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 of 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 a government's near-term financing requirements.

Because the focus of the 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 government'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 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary Funds.** The District maintains one type of proprietary fund. An *internal service fund* is an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for the management of its retained risks for worker's compensation. This service has been included within *governmental activities* in the government-wide financial statements.

The internal service fund is included as a single column on the proprietary fund financial statements.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of 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 accounting used for fiduciary funds is much like that used for proprietary funds.

The District maintains one type of fiduciary fund. The *Agency fund* reports resources held by the District in a custodial capacity primarily for student groups.

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

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's pension and OPEB plans.

## **Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$94,349,479 at the close of the most recent fiscal year.

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

	Governmental Activities		
	2019	2018	Change
Current and other assets	\$ 31,680,265	\$ 26,984,114	17.40%
Capital assets	<u>117,707,652</u>	<u>123,593,592</u>	-4.76%
Total assets	<u>149,387,917</u>	<u>150,577,706</u>	-0.79%
Deferred outflows of resources	<u>16,786,515</u>	<u>9,036,794</u>	85.76%
Current liabilities	4,411,866	3,363,675	
Long-term liabilities	<u>248,028,267</u>	<u>239,140,975</u>	3.72%
Total liabilities	<u>252,440,133</u>	<u>242,504,650</u>	4.10%
Deferred inflows of resources	<u>8,083,778</u>	<u>9,508,068</u>	-14.98%
Net position:			
Net investment in capital assets	( 72,589,440)	( 70,737,319)	2.62%
Restricted	8,347,025	6,573,445	26.98%
Unrestricted	<u>( 30,107,064)</u>	<u>( 28,234,344)</u>	6.63%
Total net position	\$ <u>( 94,349,479)</u>	\$ <u>( 92,398,218)</u>	2.11%

A large portion of the District's deficit net position, (\$72,589,440), reflects the District's net investment in capital assets (e.g., land, buildings, furniture and equipment, and accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its 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. The District's net investment in capital assets is a deficit primarily due to the long-term debt used to finance some of the District's capital assets maturing after capital assets are depreciated.

An additional portion of the District's net position, \$8,347,025, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, (\$30,107,064), is a deficit. This is not an indication that the District has insufficient resources available to meet financial obligations next year, but rather the result of having long-term commitments that are more than currently available resources.

At the end of the current fiscal year, the District did not report positive balances in net investment in capital assets and unrestricted net position, and the same held true for the prior fiscal year.

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**

	Governmental Activities		
	2019	2018	Change
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 3,194,543	\$ 2,813,674	14%
Operating grants and contributions	14,068,651	( 136,716)	-10390%
General revenues:			
Maintenance and operations taxes	20,909,747	18,844,514	11%
Debt service taxes	9,649,284	9,015,016	7%
Grants and contributions not restricted	31,252,016	30,891,919	1%
Investment earnings	733,427	458,467	60%
Miscellaneous	<u>273,683</u>	<u>343,152</u>	-20%
Total revenues	<u>80,081,351</u>	<u>62,230,026</u>	29%
<b>EXPENSES</b>			
Instruction	40,313,147	24,957,793	62%
Instructional resources and media services	363,619	312,385	16%
Curriculum and instructional staff development	1,337,518	828,053	62%
Instructional leadership	1,319,944	707,740	87%
School leadership	4,614,328	2,802,884	65%
Guidance, counseling and evaluation services	2,334,050	1,254,578	86%
Social work services	175,227	111,771	57%
Health services	713,321	403,201	77%
Student (pupil) transportation	1,616,818	1,277,002	27%
Food services	4,267,345	3,278,888	30%
Co-curricular/extra curricular activities	3,179,266	2,223,112	43%
General administration	2,419,750	1,638,671	48%
Plant maintenance and operations	7,928,218	6,199,058	28%
Security and monitoring services	400,459	243,439	65%
Data processing services	1,777,604	1,273,751	40%
Community services	633,626	440,707	44%
Debt service - interest on long-term debt	8,345,544	8,432,716	-1%
Debt service - bond issuance costs	6,807	6,807	0%
Payments related to shared services arrangements	122,977	102,758	20%
Payments to other governmental agencies	7,095	10,578	100%
Other intergovernmental changes	<u>155,949</u>	<u>146,472</u>	6%
Total expenses	<u>82,032,612</u>	<u>56,652,364</u>	45%
<b>CHANGE IN NET POSITION</b>	<u>( 1,951,261)</u>	<u>5,577,662</u>	-135%
<b>NET POSITION, BEGINNING</b>	<u>( 92,398,218)</u>	<u>( 64,810,375)</u>	43%
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>( 33,165,505)</u>	
<b>NET POSITION, ENDING</b>	<u>\$( 94,349,479)</u>	<u>\$( 92,398,218)</u>	2%

The District's net position decreased by \$1,951,261 or 2% from the prior fiscal year. The primary reason for this overall decrease is the accretion of interest on capital appreciation bonds.

## Financial Analysis of Governmental Funds

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

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and the balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for discretionary use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board.

At year-end the District's governmental funds reported a combined ending fund balance of \$26,275,875, a net increase of \$3,793,184 from last year's combined fund balance. Unassigned fund balance is \$16,358,781, or 62% of total and is available for spending at the District's discretion. The remainder of fund balance is not available for discretionary spending because it is classified as non-spendable, restricted, committed, or assigned.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year the general fund's total fund balance was \$17,704,328, of which \$16,358,781, or 92% of total, is unassigned. The total fund balance increased by \$1,325,756 from current year operations. This amount was supplemented by increases in other financing sources and uses of \$758,034 from the proceeds on notes payable for a net increase of \$2,083,790.

The Debt Service Fund ending fund balance was \$6,669,148, all of which is reserved for the payment of future debt service. The total fund balance increased by \$1,643,116 in comparison to the prior year. This is primarily due to an increase in debt service property tax revenues caused by an increase in assessed value.

## General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories:

- Adjusting state revenue for updated average daily attendance projections.
- Amendment to reduce budgets for amounts not spent during the year.
- Other major amendments to the General Fund expenditures included a \$699,055 increase in Function 11 – Instruction for student technology and added personnel, a \$1,640,288 increase in Function 51 – Facilities Maintenance & Operations for improvement to facilities, an increase of \$338,400 in Function 34 – Transportation Services for added bus routes and white fleet buses purchased, and a \$270,247 increase in Function 36 – Extracurricular Activities for upgrade of athletics and extracurricular equipment and programs.

The District's actual General Fund balance of \$17,704,328 differs from the General Fund's budgetary fund balance of \$12,665,351. The difference of \$5,038,977 is primarily due to actual revenues exceeding budgeted revenues by \$1,090,709 (primarily as result of increased state funding revenue beyond what was anticipated) and actual expenditures being \$3,190,234 less than budgeted expenditures.

## Capital Assets and Debt Administration

**Capital Assets.** The District's investments in capital assets for its governmental activities at the end of this fiscal year amounts to \$117,707,652 (net of accumulated depreciation) for a net decrease of \$5,885,940 or 4.8% from last year. This investment in capital assets includes land, buildings and improvements, and furniture and equipment. The decrease was not due to the district disposing of significant assets, but rather due to depreciation accumulating in excess of additions.

Major additions for the current fiscal year included the purchase of playground equipment for multiple campuses, amounting to \$64,602, and the purchase of a portable building for \$60,500.

<b>District's Capital Assets</b>		
	2019	2018
Land	\$ 4,305,444	\$ 4,305,444
Building & improvements	204,916,712	204,837,756
Furniture & equipment	9,224,162	8,447,858
Less depreciation	( 100,738,666)	( 93,997,446)
Totals	\$ 117,707,652	\$ 123,593,612

Additional information about the District's capital assets are presented in the notes to the financial statements.

**Debt Administration.** At year-end, the District had \$248,028,267 in long-term debt versus \$239,140,975 last year. The change in long-term debt is primarily attributable to increases in the district's proportionate share of the TRS net pension and OPEB liabilities.

<b>District's Outstanding Debt</b>		
	2019	2018
Bonds payable	\$ 149,227,316	\$ 151,272,012
Notes payable	758,034	-
Accreted interest on CABs	14,405,583	12,676,154
Premium related to CABs	30,665,035	32,723,933
Premium on bonds	7,969,910	8,349,202
Maintenance tax note	4,485,000	4,995,000
Net Pension Liability (proportionate share)	18,088,914	10,453,833
Net OPEB Liability (proportionate share)	22,428,475	18,907,653
Totals	\$ 248,028,267	\$ 239,377,787

The State issues guidelines recommending that a government entity should limit the amount of general obligation debt to 10% of its total assessed valuation. The current debt limitation for the District is \$194,615,296. The District's current outstanding general obligation debt does not exceed this amount.

Additional information on the District's long-term debt can be found in the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The District's 2019-2020 refined average daily attendance (ADA) is expected to be 6450. The budget is based on an ADA of 6450.
- The district continues to grow at a rate of 1%-1.5% per year. Several new housing additions support the projection of continued growth. If growth continues, the district will begin the process of forming the Facility/Board Committee during the 2019-2020 school year.
- The current amended budget is a negative \$2,739,090. The negative amount includes \$572,000 for staff positions added, \$350,000 for additional instructional supplies, \$290,000 for Transportation bus routes added and contract adjustment, \$200,000 for band uniforms, \$250,000 for operations special projects and re-budgeting \$144,001 for projects not completed in previous year.
- The District is continuing to work with its financial advisors and bond advisors to refinance bonded indebtedness to reduce debt amount.
- The District debt service property tax rate is \$.48 per \$100 assessed valuation for 2019-2020. The District reduced its tax rate for maintenance and operations from \$1.04 to \$.97 per \$100 assessed valuation.

## **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Business Office, at White Settlement I.S.D., 401 S. Cherry Lane, White Settlement, Texas 76108.

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## **BASIC FINANCIAL STATEMENTS**

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**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT A-1**

STATEMENT OF NET POSITION

AUGUST 31, 2019

Data Control Codes		Governmental Activities
<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 3,187,858
1120	Current investments	25,138,198
1220	Property taxes receivable (delinquent)	1,138,274
1230	Allowance for uncollectible taxes	( 552,165)
1240	Due from other governments	2,006,682
1290	Other receivables (net)	757,084
1300	Inventories	2,869
1410	Prepaid items	1,465
	Capital assets:	
1510	Land	4,305,444
1520	Buildings and improvements, net	110,239,885
1530	Furniture and equipment, net	<u>3,162,323</u>
1000	Total assets	<u>149,387,917</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1701	Deferred loss on bond refunding	4,537,632
1705	Deferred outflow related to pensions	9,570,244
1706	Deferred outflow related to other post-employment benefits	<u>2,678,639</u>
1700	Total deferred outflows of resources	<u>16,786,515</u>
<b>LIABILITIES</b>		
2110	Accounts payable	1,913,115
2140	Interest payable	33,905
2160	Accrued wages payable	2,380,994
2180	Due to other governments	73,282
2300	Unearned revenue	10,570
	Noncurrent liabilities:	
2501	Due within one year	2,594,500
2502	Due in more than one year	204,916,378
2540	Net pension liability (proportionate share)	18,088,914
2545	Net other post-employment benefit liability (proportionate share)	<u>22,428,475</u>
2000	Total liabilities	<u>252,440,133</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	Deferred inflow related to pensions	991,354
2606	Deferred inflow related to other post-employment benefits	<u>7,092,424</u>
2600	Total deferred inflows of resources	<u>8,083,778</u>
<b>NET POSITION</b>		
3200	Net investment in capital assets	( 72,589,440)
	Restricted for:	
3820	Federal and state programs	1,297,670
3850	Debt service	7,034,329
3890	GAP awards	15,026
3900	Unrestricted	<u>( 30,107,064)</u>
3000	Total net position (deficit)	\$ <u>( 94,349,479)</u>

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

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# WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Functions/Programs	1	Program Revenues 3
		Expenses	Charges for Services
	<b>Primary government:</b>		
	Governmental activities:		
11	Instruction	\$ 40,313,147	\$ 468,986
12	Instructional resources and media services	363,619	-
13	Curriculum and staff development	1,337,518	-
21	Instructional leadership	1,319,944	-
23	School leadership	4,614,328	-
31	Guidance, counseling, and evaluation services	2,334,050	-
32	Social work services	175,227	-
33	Health services	713,321	-
34	Student transportation	1,616,818	-
35	Food service	4,267,345	1,145,903
36	Extracurricular activities	3,179,266	1,579,654
41	General administration	2,419,750	-
51	Facilities maintenance and operations	7,928,218	-
52	Security and monitoring services	400,459	-
53	Data processing services	1,777,604	-
61	Community services	633,626	-
72	Interest on long-term debt	8,345,544	-
73	Bond issuance costs and fees	6,807	-
93	Payments for shared services arrangements	122,977	-
95	Payments to Juvenile Justice Alternative Education Programs	7,095	-
99	Other intergovernmental changes	155,949	-
	[TP] Total primary government	<u>\$ 82,032,612</u>	<u>\$ 3,194,543</u>
	General revenues:		
	Taxes:		
MT	Property taxes, levied for general purposes		
DT	Property taxes, levied for debt service		
GC	Grants and contributions not restricted to specific programs		
IE	Investment earnings		
MI	Miscellaneous		
TR	Total general revenues		
CN	Change in net position		
NB	Net position, beginning		
NE	Net position, ending		

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

Program Revenues	Net (Expenses) Revenue and Changes in in Net Position
4	6
Operating Grants and Contributions	Primary Gov. Governmental Activities
\$ 6,003,428	\$ ( 33,840,733)
12,620	( 350,999)
691,196	( 646,322)
142,510	( 1,177,434)
329,555	( 4,284,773)
891,323	( 1,442,727)
18,367	( 156,860)
61,972	( 651,349)
48,601	( 1,568,217)
2,890,675	( 230,767)
96,986	( 1,502,626)
143,453	( 2,276,297)
87,436	( 7,840,782)
16,130	( 384,329)
76,281	( 1,701,323)
65,959	( 567,667)
2,354,681	( 5,990,863)
-	( 6,807)
137,478	14,501
-	( 7,095)
-	( 155,949)
<u>\$ 14,068,651</u>	<u>\$ ( 64,769,418)</u>

20,909,747  
 9,649,284  
  
 31,252,016  
 733,427  
273,683  
62,818,157  
( 1,951,261)  
( 92,398,218)  
\$ ( 94,349,479)

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

BALANCE SHEET  
GOVERNMENTAL FUNDS

AUGUST 31, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund
	<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 2,379,913	\$ 475,173
1120	Investments - current	17,193,830	6,267,257
1220	Property taxes - delinquent	807,879	330,395
1230	Allowance for uncollectible taxes (credit)	( 408,793)	( 143,372)
1240	Receivables from other governments	1,847,207	-
1260	Due from other funds	39,347	-
1290	Other receivables	757,084	-
1300	Inventories	-	-
1410	Prepaid items	1,465	-
1000	Total assets	<u>22,617,932</u>	<u>6,929,453</u>
	<b>LIABILITIES</b>		
2110	Accounts payable	1,417,664	-
2160	Accrued wages payable	2,307,346	-
2170	Due to other funds	349,188	-
2180	Due to other governments	-	73,282
2300	Unearned revenues	-	-
2000	Total liabilities	<u>4,074,198</u>	<u>73,282</u>
	<b>DEFERRED INFLOWS OF RESOURCES</b>		
2601	Unavailable revenue	<u>839,406</u>	<u>187,023</u>
2600	Total deferred inflows of resources	<u>839,406</u>	<u>187,023</u>
	<b>FUND BALANCES</b>		
	Nonspendable:		
3430	Prepaid items	1,465	-
	Restricted:		
3450	Federal or state grant restrictions	-	-
3480	Retirement of long-term debt	-	6,669,148
3490	GAP awards	-	-
3545	Committed for campus activity	-	-
3590	Assigned for future technology purchases	1,344,082	-
3600	Unassigned	<u>16,358,781</u>	<u>-</u>
3000	Total fund balances	<u>17,704,328</u>	<u>6,669,148</u>
4000	Total liabilities, deferred inflows		
4000	and fund balances	\$ <u>22,617,932</u>	\$ <u>6,929,453</u>

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

Other Funds	Total Governmental Funds
\$ 321,238	\$ 3,176,324
1,677,111	25,138,198
-	1,138,274
-	( 552,165)
159,475	2,006,682
-	39,347
-	757,084
2,869	2,869
-	1,465
<u>2,160,693</u>	<u>31,708,078</u>
134,729	1,552,393
73,648	2,380,994
39,347	388,535
-	73,282
<u>10,570</u>	<u>10,570</u>
<u>258,294</u>	<u>4,405,774</u>
-	<u>1,026,429</u>
-	<u>1,026,429</u>
-	1,465
1,297,670	1,297,670
-	6,669,148
15,026	15,026
589,703	589,703
-	1,344,082
-	<u>16,358,781</u>
<u>1,902,399</u>	<u>26,275,875</u>
\$ <u>2,160,693</u>	\$ <u>31,708,078</u>



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

AUGUST 31, 2019

Total fund balances - governmental funds	\$ 26,275,875
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	117,707,652
2 Some receivables are reported as deferred inflows of resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	
Property taxes	586,109
School health and related services (SHARS)	440,320
3 Long-term liabilities, including bonds, accreted interest and tax notes, are not due and payable in the current period and therefore are not reported in the funds. Also, the losses on refunding of bonds and the premium on issuance of bonds payable are not reported on the balance sheet in the funds.	( 202,973,246)
4 Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	( 33,905)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to pensions included a deferred resource outflow in the amount of \$9,570,244, a deferred resource inflow in the amount of \$991,354, and a net pension liability in the amount of \$18,088,914.	( 9,510,024)
6 Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit (OPEB) liability required by GASB 75. The net position related to the OPEB included a deferred resource outflow in the amount of \$2,678,639, a deferred resource inflow in the amount of \$7,092,424, and a net OPEB liability in the amount of \$22,428,475.	( 26,842,260)
Net position of governmental activities	\$( 94,349,479)

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**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		10 General Fund	50 Debt Service Fund
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ 22,450,826	\$ 9,834,406
5800	State program	33,724,584	2,354,681
5900	Federal program	1,083,916	-
5020	Total revenues	<u>57,259,326</u>	<u>12,189,087</u>
<b>EXPENDITURES</b>			
	Current:		
0011	Instruction	31,697,918	-
0012	Instructional resources and media services	239,244	-
0013	Curriculum and instructional staff development	565,552	-
0021	Instructional leadership	1,113,981	-
0023	School leadership	3,968,888	-
0031	Guidance, counseling and evaluation services	1,337,985	-
0032	Social work services	143,628	-
0033	Health services	577,443	-
0034	Student (pupil) transportation	1,548,036	-
0035	Food services	-	-
0036	Extracurricular activities	2,012,109	-
0041	General administration	2,070,101	-
0051	Facilities maintenance and operations	7,220,290	-
0052	Security and monitoring services	301,240	-
0053	Data processing services	1,818,254	-
0061	Community services	463,186	-
	Debt service:		
0071	Principal on long term debt	511,000	2,044,697
0072	Interest on long term debt	115,763	8,494,467
0073	Bond issuance costs and fees	-	6,807
	Capital outlay:		
0081	Facilities acquisition and construction	65,908	-
	Intergovernmental:		
0093	Payments for SSA	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	7,095	-
0099	Other intergovernmental charges	155,949	-
6030	Total expenditures	<u>55,933,570</u>	<u>10,545,971</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>1,325,756</u>	<u>1,643,116</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
7914	Proceeds from notes payable	758,034	-
7080	Total other financing sources (uses)	<u>758,034</u>	<u>-</u>
1200	Net change in fund balances	2,083,790	1,643,116
0100	Fund balance - September 1 (beginning)	<u>15,620,538</u>	<u>5,026,032</u>
3000	Fund balance - August 31 (ending)	<u>\$ 17,704,328</u>	<u>\$ 6,669,148</u>

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

Other Funds	Total Governmental Funds
\$ 2,395,913	\$ 34,681,145
962,840	37,042,105
<u>5,605,325</u>	<u>6,689,241</u>
<u>8,964,078</u>	<u>78,412,491</u>
2,645,754	34,343,672
30	239,274
534,822	1,100,374
1,676	1,115,657
-	3,968,888
544,736	1,882,721
-	143,628
3,524	580,967
-	1,548,036
3,832,517	3,832,517
1,111,979	3,124,088
-	2,070,101
-	7,220,290
64,418	365,658
-	1,818,254
35,367	498,553
-	2,555,697
-	8,610,230
-	6,807
-	65,908
122,977	122,977
-	7,095
-	<u>155,949</u>
<u>8,897,800</u>	<u>75,377,341</u>
<u>66,278</u>	<u>3,035,150</u>
-	<u>758,034</u>
-	<u>758,034</u>
66,278	3,793,184
<u>1,836,121</u>	<u>22,482,691</u>
\$ <u>1,902,399</u>	\$ <u>26,275,875</u>

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

FOR THE YEAR ENDED AUGUST 31, 2019

Net change in fund balances - total governmental funds	\$ 3,793,184
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	( 5,713,478)
In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital asset sold.	( 172,462)
Some receivables are not considered available revenues and are reported as deferred inflows in the governmental funds.	
Property taxes	147,425
School health and related services (SHARS)	( 295,132)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond, tax note, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal repayment	4,889,989
Issuance of long-term debt	( 758,034)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Amortization of premium and deferred loss on refunding of bonds payable	170,547
Accrued interest payable on long-term debt	2,483
Accreted interest on capital appreciation bonds	( 2,242,636)
GASB 68 Required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,180,867. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$1,107,915. Finally, the proportionate share of pension expense on the plans as a whole had to be recorded. The net pension expense decreased the change in net position by \$1,498,899.	( 1,425,947)
GASB 75 Required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$321,439. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$318,742. Finally, the proportionate share of OPEB expense on the plans as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$349,897.	( 347,200)
<b>Change in net position of governmental activities</b>	<b><u>\$( 1,951,261)</u></b>

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**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT****EXHIBIT D-1**STATEMENT OF NET POSITION  
PROPRIETARY FUND

AUGUST 31, 2019

	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 11,534
Due from other funds	<u>349,188</u>
Total current assets	<u>360,722</u>
 Total assets	 <u>360,722</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	<u>360,722</u>
Total current liabilities	<u>360,722</u>
 Total liabilities	 <u>360,722</u>
<b>NET POSITION</b>	\$ <u>-</u>

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRETARY FUND

FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Governmental Activities Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Local and intermediate sources	\$ <u>194,140</u>
Total operating revenues	194,140
<b>OPERATING EXPENSES</b>	
Professional and contracted services	<u>194,140</u>
Total operating expenses	<u>194,140</u>
<b>OPERATING INCOME (LOSS)</b>	-
<b>NET POSITION, BEGINNING</b>	<u>-</u>
<b>NET POSITION, ENDING</b>	\$ <u><u>-</u></u>



STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

FOR THE YEAR ENDED AUGUST 31, 2019

	Governmental Activities <u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from user charges	\$ 189,378
Payments for insurance claims	<u>( 188,839)</u>
Net cash provided by operating activities	<u>539</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	539
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>10,995</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>11,534</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	-
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) in due from other funds	( 4,762)
Increase in accounts payable	<u>5,301</u>
Net cash provided by operating activities	\$ <u>539</u>

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

AUGUST 31, 2019

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>45,767</u>
Total assets	<u>45,767</u>
<b>LIABILITIES</b>	
Due to student groups	<u>45,767</u>
Total liabilities	\$ <u><u>45,767</u></u>

# WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2019

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

White Settlement Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and it complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The Board of Trustees (the "Board") is elected by the public and it has the decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB"). There are no component units included within the reporting entity.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes, state foundation funds and intergovernmental revenue.

The statement of activities demonstrates the degree to which 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 or services provided by a given function or segment of the District, examples include tuition paid by students not residing in the District, school lunch charges, etc. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a given function or segment, examples include grants under the Elementary and Secondary Education Act. Taxes and other items not properly included among program revenue are reported instead as general revenue.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, similar to accrual accounting. However, debt services expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Property taxes, state foundation funds, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Entitlements are recorded as revenue when all eligibility requirements are met, including any time requirements, and the amount received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

The District reports the following major funds:

**General Fund** – The General Fund is the District’s primary operating fund. It is used to account for all financial transactions except for those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for costs accounted for in another fund.

**Debt Service Fund** – The Debt Service Fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt. Revenues include property taxes, state funding under the Instructional Facilities and Existing Debt Allotments and earned interest. The fund balance represents amounts that are available for retirement of future payments of principal, interest and fees.

In addition, the District reports the following fund types:

**Internal Service Fund** – This fund accounts for the District’s self-insurance for worker’s compensation.

**Fiduciary Funds – Agency Funds** – The Agency Fund is custodial in nature and accounts for activities of student groups. This accounting reflects the District’s agency relationship with student activity organizations.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, Net Position/Fund Balance, Revenues and Expenditures/Expenses**

**Deposits and Investments**

The District's cash and cash equivalents are considered as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Investments for the District are reported at fair value, except for the position in investment pools. The District's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

TexPool, LoneStar and TexStar have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

**Property Taxes**

Delinquent property tax receivables are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Property taxes are levied by October 1 and are due and payable at that time. The Board establishes the District's property tax rates annually. The authorized tax rates for property taxes assessed on January 1, 2019, were \$1.04 and \$0.48 per \$100 for the General Fund and Debt Service Fund, respectively, based on a net assessed valuation of \$1,946,152,961.

The legally authorized tax rate limit for the District is \$1.17 per \$100 assessed valuation for maintenance and operations. On January 1 of each year, a tax lien attaches to property to secure the payment of penalties imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during the 60-day period after the close of the District's fiscal year.

**Inventories and Prepaid Items**

The District uses the consumption method to account for inventories of food products, school supplies, and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve. Inventories of food commodities used in the food service program are recorded at acquisition value. Although commodities are received at no cost, the acquisition value is recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayment in both government-wide and fund financial statements.

## Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment and construction in progress, are reported in the applicable governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

Capital lease assets of the District are depreciated using the straight-line method over the following estimated lives:

<u>Asset Classification</u>	<u>Useful Life</u>
Buildings and improvements	20-50
Furniture and equipment	10-15

## Unearned Revenues

Unearned revenues represent revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities.

## Long-term Obligations

General obligation bonds which have been issued to fund the District's capital projects are to be repaid from tax revenues of the District. In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

## Compensated Absences

Upon retirement from the District, employees shall receive \$15 for each year of verifiable service to the District. In addition, retirees who have completed at least five years of consecutive District service shall be reimbursed for all unused personal and/or sick leave at the rate of \$10 per day. These benefits are recorded whenever the expenditure is incurred.

## Defined-Benefit Pension Plan

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

## **Other Post-Employment Benefits**

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

## **Deferred Outflows/Inflow 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. The District has two items that qualify for reporting in this category. It is deferred charge on refunding and deferred outflow related to TRS reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The item related to TRS represents the District's share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net pension liability.

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

## **Net Position**

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

## **Net Position Flow Assumption**

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

## **Fund Balance**

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

- **Non-spendable:** This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.
- **Restricted:** This classification includes the component of the spendable fund balance constrained to a specific purpose by a provider, such as a creditor. Grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for federal/state grants, construction programs, debt service, and other restrictions.
- **Committed:** This classification includes the component of spendable fund balance constrained to a specific purpose by the Board. A Board resolution is required to establish, modify, or rescind fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. Committed fund balance includes campus activity funds.
- **Assigned:** This classification includes the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board of Trustees or by an official or body to which the Board of Trustees delegates. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type of the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is a specific purpose that is narrower than the general purposes of the District itself.
- **Unassigned:** This classification includes the residual classification of the General Fund and includes all amounts not contained in other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures. Only the General Fund will have unassigned amounts. By accounting for amounts in other funds, the District has implicitly assigned the funds for purposes of those particular funds.

## **Fund Balance Flow Assumption**

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

## **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve a portion of the applicable appropriation, is employed in the governmental fund types on the governmental fund financial statements. Encumbrances are liquidated at year end.

## **Use of Estimates**

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



The amount of state foundation revenue a district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as into the next fiscal year. It is at least reasonably possible that the foundation revenue for the fiscal year will ultimately change from the amount calculated as of August 31, 2019 because of the factors that TEA uses in its calculations.

## **Data Control Codes**

The data control codes refer to the account code structure prescribed by the Texas Education Agency (the "Agency") in the *Financial Accountability System Resource Guide*. The Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

## **II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

### **A. Deposits and Investments**

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

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

The following are investments held by the District at year-end:

<u>Investment Type</u>	<u>Reported Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
Tex Pool	\$ 7,712,378	30.7%	36
Tex Pool Prime	5,797,159	23.1%	30
TexStar	8,561,682	34.1%	22
Lone Star	<u>3,066,979</u>	12.2%	27
	<u>\$ 25,138,198</u>	<u>100.0%</u>	

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

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposits issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivision of any state having been rated as to investment quality no less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or on nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provision governing investments for the District are specified below:

**Credit Risk** – This is the risk that a security issuer may default on an interest or principal payment. State law limits investment in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM.

**Custodial Credit Risk – Investments:** For an investment this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's investment in TexPool, Lone Star and TexStar are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of August 31, 2019, the District's investments in TexPool, Lone Star and TexStar are rated AAAM.

**Concentration of Credit Risk** – To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investments risks to be significantly greater in the governmental activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government.

## **B. Interfund Receivables and Payables**

The following is a summary of amounts due to and due from other funds:

	Due From Other Funds	Due To Other Funds
General fund	\$ 39,347	\$ 349,188
Nonmajor governmental	-	39,347
Internal Service Fund	349,188	-

Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

### C. Operating Leases

The District leases office equipment and automobiles under noncancelable operating leases. Total costs for such leases were \$183,773 for the year. The future minimum lease payments for active operating leases are summarized below:

<u>Year Ending August 31</u>	<u>Amount</u>
2020	\$ 183,773
2021	122,515

### D. Capital Assets

Capital asset activity for the year ended August 31, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,305,444	\$ -	\$ -	\$ 4,305,444
Total capital assets, not being depreciated	<u>4,305,444</u>	<u>-</u>	<u>-</u>	<u>4,305,444</u>
Capital assets, being depreciated:				
Buildings and improvements	204,837,756	211,014	132,058	204,916,712
Furniture and equipment	<u>8,447,858</u>	<u>916,623</u>	<u>140,319</u>	<u>9,224,162</u>
Total capital assets, being depreciated	<u>213,285,614</u>	<u>1,127,637</u>	<u>272,377</u>	<u>214,140,874</u>
Less accumulated depreciation for:				
Buildings and improvements	88,339,020	6,342,209	4,402	94,676,827
Furniture and equipment	<u>5,658,446</u>	<u>498,906</u>	<u>95,513</u>	<u>6,061,839</u>
Total accumulated depreciation	<u>93,997,466</u>	<u>6,841,115</u>	<u>99,915</u>	<u>100,738,666</u>
Total governmental activities capital assets, net	<u>\$ 123,593,592</u>	<u>\$ ( 5,713,478)</u>	<u>\$ 172,462</u>	<u>\$ 117,707,652</u>

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

Governmental activities:	
Instruction	\$ 3,886,155
Instruction Resources & Media Services	120,184
Curriculum & Instructional Staff Development	45,564
Instructional Leadership	103,014
School Leadership	414,699
Guidance, Counseling & Evaluation Services	192,162
Social Work Services	20,471
Health Services	77,261
Student (Pupil) Transportation	237,623
Food Services	365,173
Extracurricular Activities	168,389
General Administration	227,820
Plant Maintenance & Operations	804,966
Security & Monitoring Services	31,697
Data Processing Services	23,112
Community Services	<u>122,825</u>
Total depreciation expense	<u>\$ 6,841,115</u>

#### E. Deferred Inflows of Resources

At August 31, 2019, the District reported the following deferred inflows of resources in the governmental funds:

	General	Debt Service	Total
Unavailable revenue property taxes	\$ 399,086	\$ 187,023	\$ 586,109
Unavailable revenue SHARS cost settlement	<u>440,320</u>	<u>-</u>	<u>440,320</u>
Totals	<u>\$ 839,406</u>	<u>\$ 187,023</u>	<u>\$ 1,026,429</u>

#### F. Long-Term Debt

Changes in the District's long-term liabilities for the year ended August 31, 2019 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$ 151,272,012	\$ -	\$ 2,044,696	\$ 149,227,316	\$ 1,978,717
Notes Payable	-	758,034	-	758,034	100,783
Accreted interest on CABs	12,676,154	2,242,636	513,207	14,405,583	-
Premium related to CABs	32,487,121	-	1,822,086	30,665,035	-
Premium on bonds	8,349,202	-	379,292	7,969,910	-
Maintenance tax notes	<u>4,995,000</u>	<u>-</u>	<u>510,000</u>	<u>4,485,000</u>	<u>515,000</u>
Total	<u>\$ 209,779,489</u>	<u>\$ 3,000,670</u>	<u>\$ 5,269,281</u>	<u>\$ 207,510,878</u>	<u>\$ 2,594,500</u>

#### ***Maintenance Tax Notes***

The district has issued maintenance tax notes pursuant to Chapter 45, Texas Education Code, as amended and as authorized by duly qualified electors. Local Maintenance tax levies are used to retire this current year maintenance tax note and prior years maintenance tax note obligations payable from the General Fund.

Issue/Maturity Dates	Interest Rate	Original Amount	Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
Series 2013							
2013/28	2.38%	\$ 2,940,000	\$ 3,235,000	\$ -	\$ 300,000	\$ 2,935,000	\$ 305,000
Series 2015							
2016/25	2.49%	880,000	1,010,000	-	135,000	875,000	135,000
Series 2017							
2017/27	2.34%	<u>675,000</u>	<u>750,000</u>	<u>-</u>	<u>75,000</u>	<u>675,000</u>	<u>75,000</u>
		<u>\$ 4,495,000</u>	<u>\$ 4,995,000</u>	<u>\$ -</u>	<u>\$ 510,000</u>	<u>\$ 4,485,000</u>	<u>\$ 515,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for the maintenance tax notes.

Year Ended August 31,	Principal	Interest	Total Requirements
2020	515,000	103,807	618,807
2021	535,000	91,312	626,312
2022	545,000	78,397	623,397
2023	560,000	65,239	625,239
2024	-	-	-
2025-2028	<u>2,330,000</u>	<u>132,834</u>	<u>2,462,834</u>
Totals	<u>\$ 4,485,000</u>	<u>\$ 471,589</u>	<u>\$ 4,956,589</u>

The District paid \$116,122 in interest expense during the year.

### **Notes Payable**

The notes payable outstanding at August 31, 2019, were issued for the purpose of installing high-efficiency lighting in district buildings. The notes are secured by the purchased equipment. The original principal amount totaling \$758,034 is payable in annual installments with an interest rate of 2.4%. Final Maturity of the notes is August 15, 2026.

The annual debt service requirements to maturity for notes payable is as follows:

Year Ended August 31,	Principal	Interest	Total Requirements
2020	100,783	18,142	118,925
2021	103,151	15,774	118,925
2022	105,627	13,298	118,925
2023	108,162	10,763	118,925
2024	110,757	8,168	118,925
2025-2028	229,554	8,297	237,851
Totals	<u>\$ 758,034</u>	<u>\$ 74,442</u>	<u>\$ 832,476</u>

### **Bonds Payable**

Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding, and interest earnings.

A summary of changes in general obligation bonds for the year ended August 31, 2019, are as follows:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Retired	Ending Balance	Amounts Due Within One Year
Series 2003 ULB Bonds/2033	3.125%/ 5.90%	\$ 20,883,645	\$ 2,669,134	\$ -	\$ 2,669,134	\$ -
Series 2011 UTR Bonds/2034	3.54%/ 6.00%	8,328,990	7,854,659	64,241	7,790,418	58,766
Series 2012 UTR Bonds/2031	0.3%/ 3.61%	30,574,884	29,067,879	790,455	28,277,424	714,951
Series 2013 UTR Bonds/2045	2.0%/ 5.00%	40,160,142	40,160,152	-	40,160,152	-
Series 2014 UTR Bonds/2045	0.6%/ 5.00%	49,374,874	48,501,362	-	48,501,362	-
Series 2015A UTR Bonds/2037	2.0%/ 5.00%	16,155,000	14,370,000	940,000	13,430,000	940,000
Series 2015B UTR Bonds/2041	2.0%/ 4.59%	7,268,826	7,013,826	-	7,013,826	30,000
Series 2016 UTR Bonds/2032	2.0%/ 3.00%	2,115,000	1,635,000	250,000	1,385,000	235,000
Totals			<u>\$ 151,272,012</u>	<u>\$ 2,044,696</u>	<u>\$ 149,227,316</u>	<u>\$ 1,978,717</u>

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Year Ended August 31,	Principal	Interest	Total Requirements
2020	1,978,717	8,796,646	10,775,363
2021	2,089,025	8,762,689	10,851,714
2022	1,869,398	9,118,266	10,987,664
2023	4,843,350	5,028,313	9,871,663
2024	3,434,993	8,212,971	11,647,964
2025-2029	23,350,541	37,967,278	61,317,819
2030-2034	30,015,129	34,716,107	64,731,236
2035-2039	14,311,125	54,822,569	69,133,694
2040-2044	52,070,038	25,967,873	78,037,911
2045	<u>15,265,000</u>	<u>670,050</u>	<u>15,935,050</u>
Totals	<u>\$ 149,227,316</u>	<u>\$ 194,062,762</u>	<u>\$ 343,290,078</u>

There are numerous limitations and restrictions contained in the various general obligation bond indentures. The District has complied with all significant limitations and restrictions as of August 31, 2019.

In prior years, the District issued refunding bonds for the purpose of restructuring debt cash flow requirements. Proceeds from the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are considered defeased, and accordingly, the trust account assets and liabilities are not included in the District's financial statements. As of August 31, 2019, there are no bonds considered defeased that are still outstanding.

The District's outstanding bonds payable contain a provision that, in an event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund. The District's outstanding tax notes contain a provision that, in an event of default, outstanding amounts become immediately due.

#### **G. Net Position**

At year-end net position was a deficit of \$94,349,479. A large portion of this deficit is related to the corresponding deferred outflows/inflows and liabilities of the District's proportionate share of the TRS pension and OPEB liabilities. These items reduce net position by \$9,510,024 (pension) and \$26,842,260 (OPEB). Additionally, the District accrued interest on capital appreciation bonds as of year-end in the amount of \$14,405,583, and capital assets are being depreciated faster than the long-term liabilities are being paid off that were to fund the purchase of these capital assets.

#### **H. Defined Benefit Pension Plan**

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

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

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

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

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

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

	Contribution Rates	
	2018	2019
Member	7.7%	7.7%
Non-employer contributing entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions		\$ 1,180,867
Current fiscal year member contributions		2,963,571
2017 measurement year NECE on-behalf contributions		1,867,327

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 source or a privately sponsored source, from non-educational and general, and or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district 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 employees.

**Actuarial Assumptions** - The total pension liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018 and was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.91%
Long-Term Expected Investment Rate of Return	7.25%
Inflation	2.3%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	3.0%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the 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 percent and a municipal bond rate of 3.69 percent. 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. Therefore, 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018, are summarized below:

<b>Asset Class</b>	<b>Target Allocation<sup>1</sup></b>	<b>Real Return Geometric Basis<sup>2</sup></b>	<b>Long-Term Expected Portfolio Real Rate of Return*</b>
Global Equity			
U.S.	18.0%	5.70%	1.04%
Non-U.S. Developed	13.0%	6.90%	0.90%
Emerging Markets	9.0%	8.95%	0.80%
Directional Hedge Funds	4.0%	3.53%	0.14%
Private Equity	13.0%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.0%	1.11%	0.12%
Absolute Return	-	-	-
Stable Value Hedge Funds	4.0%	3.09%	0.12%
Cash	1.0%	( 0.30%)	-
Real Return			
Global Inflation Linked Bonds	3.0%	0.70%	0.02%
Real Assets	14.0%	5.21%	0.73%
Energy and Natural Resource:	5.0%	7.48%	0.37%
Commodities	-	-	-
Risk Parity			
Risk Parity	5.0%	3.70%	0.18%
Inflation expectation			2.30%
Volatility Drag <sup>3</sup>	-		( 0.79%)
Total	100.0%		7.25%

<sup>1</sup>Target allocations are based on the FY2016 policy model.

<sup>2</sup>Capital market assumptions come from Aon Hewitt (2017 Q4).

<sup>3</sup> The volatility drag results from the conversion between arithmetic and geometric mean returns.

**Discount Rate Sensitivity Analysis** - The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.91%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (6.907%)
District's proportionate share of net pension liability	\$ 27,300,509	\$ 18,088,914	\$ 10,631,582

**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 \$18,088,914 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 18,088,914
State's proportionate share that is associated with the District	<u>30,529,514</u>
Total	<u>\$ 48,618,428</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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.0328636% which was an increase of 0.0001694% from its proportion measured as of August 31, 2017.

**Changes Since the Prior Actual 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.

- 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 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- 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 fiscal year ended August 31, 2019, the District recognized pension expense of \$5,628,422 and revenue of \$3,021,608 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 112,751	\$ 443,831
Changes in actuarial assumptions	6,521,925	203,810
Difference between projected and actual investment earnings	-	343,224
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,754,701	489
Contributions paid to TRS subsequent to the measurement date	<u>1,180,867</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 9,570,244</u>	<u>\$ 991,354</u>

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

Fiscal Year Ended August 31,	Pension Expense Amount
2020	1,974,205
2021	1,251,913
2022	1,054,436
2023	1,244,302
2024	1,152,498
Thereafter	720,669

## I. **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>; 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 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 the average retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees				
January 1, 2018 thru December 31, 2018				
	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 .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	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%
Current fiscal year employer contributions		\$ 321,439
Current fiscal year member contributions		250,077
2018 measurement year NECE on-behalf contributions		440,337

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 85<sup>th</sup> Texas Legislature, House bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY 2018-2019 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 was rolled forward to August 31, 2018. The actuarial valuation determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

**Additional Actuarial Methods and Assumptions**

Valuation Date	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% 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

**Other Information.** The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation. Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

**Discount Rate.** A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of .27 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2018.

**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 in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
Proportionate share of net OPEB liability	\$ 26,697,592	\$ 22,428,475	\$ 19,051,329

**Healthcare Cost Trend Rates Sensitivity Analysis.** 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 rate used.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 18,627,214	\$ 22,428,475	\$ 27,434,819

**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 \$22,428,475 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 22,428,475
State's proportionate share that is associated with the District	<u>31,916,485</u>
Total	<u>\$ 54,344,960</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward 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 OPEB 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 0.044919015%, which was an increase of 0.0014394% from its proportion measured as of August 31, 2017.

**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:

- 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 health care trend rate assumption was 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 changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25-basis point addition to the long-term trend rate assumption.

***Change of Benefit Terms Since the Prior Measurement Date.*** The 85<sup>th</sup> Legislature, Regular Session, passed the following changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability 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 and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the system to provide other, appropriate health benefits 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 on the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of \$1,829,569 and revenue of \$1,160,930 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 1,190,196	\$ 353,954
Changes in actuarial assumptions	374,270	6,738,470
Differences between projected and actual investment earnings	3,922	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	788,812	-
Contributions paid to OPEB subsequent to the measurement date	321,439	-
Total as of fiscal year-end	<u>\$ 2,678,639</u>	<u>\$ 7,092,424</u>

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

For the Year Ended August 31,	OPEB Expense
2020	( 784,602)
2021	( 784,602)
2022	( 784,602)
2023	( 785,344)
2024	( 785,768)
Thereafter	( 810,306)

#### **J. Medicare Part D – On-behalf Payments**

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of those provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$145,065, \$112,210, and \$106,414 were recognized for the years ended August 31, 2019, 2018, and 2017, respectively, as equal revenues and expenditures.

#### **K. Active Employee Health Care Coverage**

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. The plan is authorized by the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and by the Texas Administrative Code, Title 34, Part 3, Chapter 41. The District contributed approximately \$330 per month per participant to the plan, and employees, at their option, authorized payroll withholdings to pay employee contributions and additional premiums for dependents. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS Active Care. That report may be obtained by visiting the TRS Website at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing the Communications Department of the Texas Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

#### **L. Self-insured Workers' Compensation**

The District has a self-funded workers' compensation program with the Texas Educational Insurance Association with claims being administered by Claims Administrative Services, Inc. The District does not purchase aggregate excess insurance. The worker's compensation internal service fund is funded by charges to the District's other funds and is based primarily upon the contributing funds' claims experience. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability booked was the discounted estimate of the actuary at the mean funding level.

Changes in the workers' compensation claims liability amounts are represented below:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2017	251,963	142,845	95,546	299,262
2018	299,262	201,677	145,518	355,421
2019	355,421	199,438	194,137	360,722



## **M. Commitments and Contingencies**

### **State and Federal Grants**

Minimum foundation funding received from TEA is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to TEA. Federal funding for the child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported TEA. Federal and state funding received under various grant programs are based upon reimbursable expenditures made under program guidelines.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

## **N. 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. During the current fiscal year, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

## **O. Subsequent Event**

In September 2019, the District elected to change its fiscal year-end to June 30. Thus, the District's fiscal year for 2019-2020 will be for the 10 months from September 1, 2019, to June 30, 2020.

## **P. New Accounting Standards**

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

Statement No. 84, Fiduciary Activities – This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus is generally on whether a government is controlling the assets of the fiduciary activity and on the beneficiaries with whom a fiduciary relationship exists. This Statement will become effective for the District in fiscal year 2020.

Statement No. 87, Leases – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classifies as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the District in fiscal year 2021.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

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

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		Budgeted Amounts	
		Original	Final
REVENUES			
5700	Local and intermediate sources	\$ 20,451,300	\$ 22,396,471
5800	State program	31,907,041	32,692,441
5900	Federal program	422,605	1,079,705
5020	Total revenues	52,780,946	56,168,617
EXPENDITURES			
Current:			
0011	Instruction	31,119,292	32,703,976
0012	Instructional resources and media services	294,295	261,566
0013	Curriculum and instructional staff development	728,724	596,837
0021	Instructional leadership	911,261	1,129,796
0023	School leadership	3,980,603	3,968,994
0031	Guidance, counseling and evaluation services	1,428,120	1,348,127
0032	Social work services	151,250	150,325
0033	Health services	617,456	580,351
0034	Student (pupil) transportation	1,280,000	1,791,800
0036	Extracurricular activities	1,814,749	2,134,156
0041	General administration	2,195,573	2,154,611
0051	Facilities maintenance and operations	5,733,968	8,638,966
0052	Security and monitoring services	352,883	323,663
0053	Data processing services	1,934,461	1,928,429
0061	Community services	449,807	484,207
Debt Service:			
0071	Principal on long term debt	513,878	513,878
0072	Interest on long term debt	116,122	116,122
Capital Outlay:			
0081	Facilities acquisition and construction	-	132,000
Intergovernmental:			
0095	Payments to Juvenile Justice Alternative Ed. Prg.	50,000	10,000
0099	Other intergovernmental charges	165,000	156,000
6030	Total expenditures	53,837,442	59,123,804
1100	Excess (deficiency) of revenues over (over) expenditures	( 1,056,496)	( 2,955,187)
OTHER FINANCING SOURCES (USES)			
7914	Proceeds from notes payable	-	-
7080	Total other financing sources (uses)	-	-
1200	Net change in fund balances	( 1,056,496)	( 2,955,187)
0100	Fund balance - September 1 (beginning)	15,620,538	15,620,538
3000	Fund balance - August 31 (ending)	\$ 14,564,042	\$ 12,665,351

Actual Amounts	Variance With Final Budget Positive or (Negative)
\$ 22,450,826	\$ 54,355
33,724,584	1,032,143
<u>1,083,916</u>	<u>4,211</u>
<u>57,259,326</u>	<u>1,090,709</u>
31,697,918	1,006,058
239,244	22,322
565,552	31,285
1,113,981	15,815
3,968,888	106
1,337,985	10,142
143,628	6,697
577,443	2,908
1,548,036	243,764
2,012,109	122,047
2,070,101	84,510
7,220,290	1,418,676
301,240	22,423
1,818,254	110,175
463,186	21,021
511,000	2,878
115,763	359
65,908	66,092
7,095	2,905
155,949	51
<u>55,933,570</u>	<u>3,190,234</u>
<u>1,325,756</u>	<u>4,280,943</u>
<u>758,034</u>	<u>758,034</u>
<u>758,034</u>	<u>758,034</u>
2,083,790	5,038,977
<u>15,620,538</u>	<u>-</u>
<u>\$ 17,704,328</u>	<u>\$ 5,038,977</u>

## **WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO REQUIRED BUDGETARY SCHEDULE**

AUGUST 31, 2019

#### **Budgetary Information**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Child Nutrition Program and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The general fund budget schedule appears in Exhibit G-1 "Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund" and the other two schedules are at Exhibit J-4 "Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – National Breakfast and Lunch Program Fund" and J-5 "Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund".

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing these items.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notices of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; mid-year adjustment of operating costs; and year-end adjustments to expenditures based on the latest information concerning operating cost. All budget appropriations lapse at year-end.

Major amendments to the General Fund expenditures included a \$699,055 increase in Function 11 – Instruction for student technology and added personnel, a \$1,640,288 increase in Function 51 – Facilities Maintenance & Operations for improvement to facilities, an increase of \$338,400 in Function 34 – Transportation Services for added bus routes and white fleet buses purchased, and a \$270,247 increase in Function 36 – Extracurricular Activities for upgrade of athletics and extracurricular equipment and programs. The amended budget increased state revenue by \$800,000 for a settle-up of state revenue for the 2015-2016 school year, increased local revenue by \$1,814,000 for additional tax collections and interest earned on investments, and increased federal revenue by \$657,000 for additional SHARS cost report settle-up in 2018-2019.

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**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM**

**FOR THE YEAR ENDED AUGUST 31, 2019**

	<u>Measurement Year Ended August 31,</u>	
	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability (asset)	0.0328636%	0.0326942%
District's proportionate share of net pension liability (asset)	\$ 18,088,914	\$ 10,453,833
States proportionate share of the net pension liability (asset) associated with the District	<u>30,529,514</u>	<u>17,646,524</u>
Total	\$ <u>48,618,428</u>	\$ <u>28,100,357</u>
District's covered payroll	\$ 37,504,122	\$ 35,862,709
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	48.23%	29.15%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%

Note: This schedule is required to have 10 years of information, but the information prior to measurement year 2014 is not available.

Measurement Year Ended August 31,		
<u>2016</u>	<u>2015</u>	<u>2014</u>
0.0310672%	0.0314931%	0.0213237%
\$ 11,739,850	\$ 11,132,392	\$ 5,695,856
<u>20,957,985</u>	<u>20,172,521</u>	<u>18,279,451</u>
\$ <u>32,697,835</u>	\$ <u>31,304,913</u>	\$ <u>23,975,307</u>
\$ 33,877,660	\$ 32,515,707	\$ 32,967,207
34.65%	34.24%	17.28%
78.00%	78.43%	83.25%

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM**

**FOR THE YEAR ENDED AUGUST 31, 2019**

	<u>Fiscal Year Ended August 31,</u>	
	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 1,180,867	\$ 1,107,915
Contribution in relation to the contractually required contribution	<u>( 1,180,867)</u>	<u>( 1,107,915)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	\$ 38,487,929	\$ 37,504,122
Contributions as a percentage of covered payroll	3.07%	2.95%

Note: This schedule is required to have 10 years of information, but the information prior to fiscal year 2015 is not available.

Fiscal Year Ended August 31,		
2017	2016	2015
\$ 1,069,196	\$ 987,085	\$ 963,149
( 1,069,196)	( 987,085)	( 963,149)
\$ -	\$ -	\$ -
\$ 35,862,709	\$ 33,877,660	\$ 32,515,707
2.98%	2.91%	2.96%

SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2019

	Measurement Year Ended August 31,	
	2018	2017
District's proportion of the net OPEB liability (asset)	0.0449190%	0.0434796%
District's proportionate share of net OPEB liability (asset)	\$ 22,428,475	\$ 18,907,653
States proportionate share of the net OPEB liability (asset) associated with the District	<u>31,916,485</u>	<u>27,969,102</u>
Total	<u>\$ 54,344,960</u>	<u>\$ 46,876,755</u>
District's covered employee payroll	\$ 37,504,122	\$ 35,862,709
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	59.80%	52.72%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

Note: This schedule is required to have 10 years of information, but the information prior to measurement year 2017 is not available.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2019

	Fiscal Year Ended August 31,	
	2019	2018
Contractually required contribution	\$ 321,439	\$ 318,742
Contribution in relation to the contractually required contribution	( 321,439)	( 318,742)
Contribution deficiency (excess)	\$ -	\$ -
District's covered employee payroll	\$ 38,487,929	\$ 37,504,122
Contributions as a percentage of covered employee payroll	0.84%	0.85%

Note: This schedule is required to have 10 years of information, but the information prior to fiscal year 2018 is not available.

## **COMBINING STATEMENTS**

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**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2019

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool
	<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1120	Investments - current	-	-	-
1240	Receivables from other governments	5,167	8,539	428
1300	Inventories	<u>-</u>	<u>-</u>	<u>-</u>
1000	Total assets	<u>5,167</u>	<u>8,539</u>	<u>428</u>
	<b>LIABILITIES</b>			
2110	Accounts payable	-	-	-
2160	Accrued wages payable	-	-	-
2170	Due to other funds	5,167	8,539	428
2300	Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>
2000	Total liabilities	<u>5,167</u>	<u>8,539</u>	<u>428</u>
	<b>FUND BALANCES</b>			
	Restricted:			
3450	Federal or state grant restriction	-	-	-
3490	GAP awards	-	-	-
	Committed:			
3545	Campus activity	<u>-</u>	<u>-</u>	<u>-</u>
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	\$ <u>5,167</u>	\$ <u>8,539</u>	\$ <u>428</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
\$ 102,528	\$ -	\$ -	\$ -	\$ -	\$ -
1,283,391	-	-	-	-	-
120,128	-	25,050	163	-	-
2,869	-	-	-	-	-
<u>1,508,916</u>	<u>-</u>	<u>25,050</u>	<u>163</u>	<u>-</u>	<u>-</u>
134,729	-	-	-	-	-
73,648	-	-	-	-	-
-	-	25,050	163	-	-
2,869	-	-	-	-	-
<u>211,246</u>	<u>-</u>	<u>25,050</u>	<u>163</u>	<u>-</u>	<u>-</u>
1,297,670	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,297,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>1,508,916</u>	\$ <u>-</u>	\$ <u>25,050</u>	\$ <u>163</u>	\$ <u>-</u>	\$ <u>-</u>

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2019

Data Control Codes		410 State Textbook Fund	412 Public School Child Care Services	429 Other State Special Revenue Funds
	<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 1,408	\$ -	\$ -
1120	Investments - current	-	-	-
1240	Receivables from other governments	-	-	-
1300	Inventories	-	-	-
1000	Total assets	<u>1,408</u>	<u>-</u>	<u>-</u>
	<b>LIABILITIES</b>			
2110	Accounts payable	-	-	-
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	-	-
2300	Unearned revenues	<u>1,408</u>	<u>-</u>	<u>-</u>
2000	Total liabilities	<u>1,408</u>	<u>-</u>	<u>-</u>
	<b>FUND BALANCES</b>			
	Restricted:			
3450	Federal or state grant restriction	-	-	-
3490	GAP awards	-	-	-
	Committed:			
3545	Campus activity	<u>-</u>	<u>-</u>	<u>-</u>
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total liabilities and fund balances	\$ <u>1,408</u>	\$ <u>-</u>	\$ <u>-</u>

461 Campus Activity Funds	482 Liberty After School Program	486 Foundation GAP Awards	Total Nonmajor Governmental Funds
\$ 195,983	\$ 6,293	\$ 15,026	\$ 321,238
393,720	-	-	1,677,111
-	-	-	159,475
-	-	-	2,869
<u>589,703</u>	<u>6,293</u>	<u>15,026</u>	<u>2,160,693</u>
-	-	-	134,729
-	-	-	73,648
-	-	-	39,347
-	<u>6,293</u>	-	<u>10,570</u>
-	<u>6,293</u>	-	<u>258,294</u>
-	-	-	1,297,670
-	-	15,026	15,026
<u>589,703</u>	-	-	<u>589,703</u>
<u>589,703</u>	-	<u>15,026</u>	<u>1,902,399</u>
<u>\$ 589,703</u>	<u>\$ 6,293</u>	<u>\$ 15,026</u>	<u>\$ 2,160,693</u>

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool
<b>REVENUES</b>				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program	-	-	-
5900	Federal program	<u>1,055,013</u>	<u>1,380,159</u>	<u>72,320</u>
5020	Total revenues	<u>1,055,013</u>	<u>1,380,159</u>	<u>72,320</u>
<b>EXPENDITURES</b>				
	Current:			
0011	Instruction	651,223	724,578	60,188
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and instructional staff development	398,590	-	-
0021	Instructional leadership	1,676	-	-
0031	Guidance, counseling and evaluation services	-	532,604	12,132
0033	Health services	3,524	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0052	Security and Monitoring Services	-	-	-
0061	Community services	-	-	-
	Intergovernmental:			
0093	Payments for SSA	<u>-</u>	<u>122,977</u>	<u>-</u>
6030	Total expenditures	<u>1,055,013</u>	<u>1,380,159</u>	<u>72,320</u>
1100	Excess (deficiency) of revenues over (under) (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	-	-	-
0100	Fund balance - September 1 (beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund balance - August 31 (ending)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
\$ 1,175,061	\$ -	\$ -	\$ -	\$ -	\$ -
52,326	-	-	-	-	-
<u>2,636,921</u>	<u>75,996</u>	<u>173,742</u>	<u>71,799</u>	<u>139,375</u>	<u>-</u>
<u>3,864,308</u>	<u>75,996</u>	<u>173,742</u>	<u>71,799</u>	<u>139,375</u>	<u>-</u>
-	75,996	37,510	71,799	74,957	-
-	-	-	-	-	-
-	-	136,232	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,832,517	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	64,418	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,832,517</u>	<u>75,996</u>	<u>173,742</u>	<u>71,799</u>	<u>139,375</u>	<u>-</u>
<u>31,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
31,791	-	-	-	-	-
<u>1,265,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>1,297,670</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		410 State Textbook Fund	412 Public School Child Care Services	429 Other State Special Revenue Funds
<b>REVENUES</b>				
5700	Local and intermediate sources	\$ -	\$ 35,367	\$ -
5800	State program	909,512	-	1,002
5900	Federal program	-	-	-
5020	Total revenues	<u>909,512</u>	<u>35,367</u>	<u>1,002</u>
<b>EXPENDITURES</b>				
Current:				
0011	Instruction	909,512	-	972
0012	Instructional Resources and Media Services	-	-	30
0013	Curriculum and instructional staff development	-	-	-
0021	Instructional leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0052	Security and Monitoring Services	-	-	-
0061	Community services	-	35,367	-
Intergovernmental:				
0093	Payments for SSA	-	-	-
6030	Total expenditures	<u>909,512</u>	<u>35,367</u>	<u>1,002</u>
1100	Excess (deficiency) of revenues over (under) (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	-	-	-
0100	Fund balance - September 1 (beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund balance - August 31 (ending)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

461 Campus Activity Funds	482 Liberty After School Program	486 Foundation GAP Awards	Total Nonmajor Governmental Funds
\$ 1,152,966	\$ 1,259	\$ 31,260	\$ 2,395,913
-	-	-	962,840
-	-	-	5,605,325
<u>1,152,966</u>	<u>1,259</u>	<u>31,260</u>	<u>8,964,078</u>
-	1,259	37,760	2,645,754
-	-	-	30
-	-	-	534,822
-	-	-	1,676
-	-	-	544,736
-	-	-	3,524
-	-	-	3,832,517
1,111,979	-	-	1,111,979
-	-	-	64,418
-	-	-	35,367
-	-	-	122,977
<u>1,111,979</u>	<u>1,259</u>	<u>37,760</u>	<u>8,897,800</u>
<u>40,987</u>	<u>-</u>	<u>( 6,500)</u>	<u>66,278</u>
40,987	-	( 6,500)	66,278
<u>548,716</u>	<u>-</u>	<u>21,526</u>	<u>1,836,121</u>
\$ <u>589,703</u>	\$ <u>-</u>	\$ <u>15,026</u>	\$ <u>1,902,399</u>



## **REQUIRED TEA SCHEDULES**

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**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2019

Last Ten Years Ended August 31,	1	2	3	10
	Tax Rates		Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 9/1/2018
	Maintenance	Debt Service		
2010 and prior years	various	various	various	\$ 361,135
2011	1.040000	0.500000	1,587,446,887	37,913
2012	1.040000	0.500000	1,442,831,364	25,877
2013	1.040000	0.500000	1,518,036,104	45,895
2014	1.040000	0.500000	1,654,544,805	57,469
2015	1.040000	0.500000	1,475,635,974	31,801
2016	1.040000	0.500000	1,581,388,247	88,622
2017	1.040000	0.500000	1,465,946,753	81,055
2018	1.040000	0.500000	1,598,911,104	229,901
2019	1.040000	0.480000	1,946,152,961	-
1000 Totals				\$ <u>959,668</u>

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/2019
\$ -	\$ 3,783	\$ 1,099	\$( 15,120)	\$ 341,133
-	948	388	( 3)	36,574
-	627	276	-	24,974
-	( 25,965)	( 12,483)	( 42,330)	42,013
-	( 20,572)	( 9,890)	( 36,264)	51,668
-	5,132	2,467	( 1,276)	22,926
-	10,579	5,086	( 613)	72,343
-	( 47,729)	( 22,947)	( 102,507)	49,223
-	13,605	6,541	( 110,662)	99,093
<u>29,581,525</u>	<u>20,740,891</u>	<u>9,572,719</u>	<u>1,130,410</u>	<u>398,326</u>
\$ <u>29,581,525</u>	\$ <u>20,681,299</u>	\$ <u>9,543,256</u>	\$ <u>821,636</u>	\$ <u>1,138,274</u>

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
NATIONAL BREAKFAST AND LUNCH PROGRAM FUND

FOR THE YEAR ENDED AUGUST 31, 2019

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 1,124,400	\$ 1,121,400	\$ 1,175,061	\$ 53,661
5800	State program	45,000	50,000	52,326	2,326
5900	Federal program	2,375,000	2,655,000	2,636,921	( 18,079)
5020	Total revenues	<u>3,544,400</u>	<u>3,826,400</u>	<u>3,864,308</u>	<u>37,908</u>
<b>EXPENDITURES</b>					
Current:					
0035	Food service	<u>3,544,400</u>	<u>4,003,833</u>	<u>3,832,517</u>	<u>171,316</u>
6030	Total expenditures	<u>3,544,400</u>	<u>4,003,833</u>	<u>3,832,517</u>	<u>171,316</u>
1200	Net change in fund balances	<u>-</u>	<u>( 177,433)</u>	<u>31,791</u>	<u>209,224</u>
0100	Fund balance -				
	September 1 (beginning)	<u>1,265,879</u>	<u>1,265,879</u>	<u>1,265,879</u>	<u>-</u>
3000	Fund balance - August 31 (ending)	<u>\$ 1,265,879</u>	<u>\$ 1,088,446</u>	<u>\$ 1,297,670</u>	<u>\$ 209,224</u>

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-5**

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUND

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 9,000,000	\$ 9,600,000	\$ 9,834,406	\$ 234,406
5800	State program	1,700,000	2,295,168	2,354,681	59,513
5020	Total revenues	10,700,000	11,895,168	12,189,087	293,919
EXPENDITURES					
	Debt service:				
0071	Principal on long-term debt	2,044,697	2,044,697	2,044,697	-
0072	Interest on long-term debt	8,494,467	8,494,467	8,494,467	-
0073	Bond issuance costs and fees	10,000	10,000	6,807	3,193
6030	Total expenditures	10,549,164	10,549,164	10,545,971	3,193
1200	Net change in fund balances	150,836	1,346,004	1,643,116	297,112
0100	Fund balance - September 1 (beginning)	5,026,032	5,026,032	5,026,032	-
3000	Fund balance - August 31 (ending)	\$ 5,176,868	\$ 6,372,036	\$ 6,669,148	\$ 297,112

## **FEDERAL AWARDS SECTION**

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

Board of Trustees of  
White Settlement Independent School District  
White Settlement, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of White Settlement Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise White Settlement Independent School District's basic financial statements, and have issued our report thereon dated December 6, 2019.

***Internal Control Over Financial Reporting***

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

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

**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

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

### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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

*Patillo, Brown & Hill, L.L.P.*

Waco, Texas  
December 6, 2019

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

Board of Trustees of  
White Settlement Independent School District  
White Settlement, Texas

**Report on Compliance for Each Major Federal Program**

We have audited White Settlement Independent School District's compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of White Settlement Independent School District's major federal programs for the year ended August 31, 2019. White Settlement Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

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

### ***Opinion on Each Major Federal Program***

In our opinion, White Settlement Independent School 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 White Settlement Independent School 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 White Settlement Independent School 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 under 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 White Settlement Independent School District's internal control over compliance.

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

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

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

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

Waco, Texas  
December 6, 2019

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT K-1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2019

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures	(4) Pass-through Expenditures
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>				
Passed through the Texas Education Agency:				
School Breakfast Program (SBP)	10.553	71401901	\$ 421,602	\$ -
National School Lunch Program (NSLP)	10.555	71301901	<u>1,866,527</u>	<u>-</u>
Total Passed through the Texas Education Agency			<u>2,288,129</u>	<u>-</u>
Passed through the Texas Department of Agriculture:				
National School Lunch Program Commodities - Non-cash assistance	10.555	01032 CE	<u>256,584</u>	<u>-</u>
Total Child Nutrition Cluster			<u>2,544,713</u>	<u>-</u>
Child and Adult Care Food Program	10.558	01032 CE	<u>92,208</u>	<u>-</u>
Total Passed through the Texas Department of Agriculture			<u>348,792</u>	<u>-</u>
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>			<u>2,636,921</u>	<u>-</u>
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>				
Passed through the Texas Education Agency:				
Title I, Part A - Grants to Local Education Agencies	84.010	19610123220920	<u>1,055,013</u>	<u>-</u>
Total Title I, Part A			<u>1,055,013</u>	<u>-</u>
IDEA B Formula - Special Education Grants to States	84.027	196600012209206000	1,380,159	122,977
IDEA Preschool - Special Education Preschool Grants	84.173	196610012209206000	<u>72,320</u>	<u>-</u>
Total IDEA Cluster			<u>1,452,479</u>	<u>122,977</u>
Perkins IV - Career and Technical Education	84.048A	19420006220920	75,996	-
Title III, Part A - English Language Acquisition	84.365A	19671001220920	71,799	-
Title II, Part A - Supporting Effective Instruction State Grants	84.367A	19694501220920	173,742	-
Summer School for Limited English Proficient Students	84.369A	69551602	5,007	-
Title IV, Part A - Student Support Academic Enrichment Grants	84.424A	196801012200920	64,418	-
Emergency Impact Aid to LEAs	84.938C	51271901	<u>69,950</u>	<u>-</u>
Total Passed through the Texas Education Agency			<u>2,968,404</u>	<u>122,977</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>			<u>2,968,404</u>	<u>122,977</u>
<b><u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
Passed through Texas Health and Human Services Commission:				
Medicaid Administrative Claiming Program - MAC	93.778	529-09-0032-00046	<u>25,323</u>	<u>-</u>
Total Passed through Texas Health and Human Services Commission			<u>25,323</u>	<u>-</u>
<b>TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>25,323</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ <u>5,630,648</u>	\$ <u>122,977</u>

# WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

AUGUST 31, 2019

### 1. GENERAL

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

### 2. BASIS OF ACCOUNTING

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

### 3. INDIRECT COSTS

The District did not elect to use a de minimis cost rate of 10% as described at 2 CFR §200.414(f)—Indirect (F&A) costs.

### 4. RECONCILIATION OF FEDERAL REVENUES AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following is the reconciliation of federal revenues and the Schedule of Expenditures of Federal Awards for the fiscal year:

Federal revenues on the Statement of Revenues, Expenditures and	
Changes in Fund Balance Governmental Funds (Exhibit C-3)	\$ 6,689,241
School health and related services revenue	( <u>1,058,593</u> )
Federal expenditures on the Schedule of Expenditures of	
Federal Awards (Exhibit K-1)	\$ <u><u>5,630,648</u></u>

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE AND FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED AUGUST 31, 2019**

**Summary of Auditors' Results**

**Financial Statements:**

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered a material weakness	None reported
Material noncompliance to the financial statements noted?	None

**Federal Awards:**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified, that were not considered a material weakness	None reported

Type of auditors' report on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
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Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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**Findings Relating to the Financial Statements Which are Required to be Reported in  
Accordance With Generally Accepted Government Auditing Standards**

None

**Findings and Questioned Costs for Federal Awards**

None

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