

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
AUGUST 31, 2017**

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WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2017

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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, 2017, at a meeting of the Board of Trustees of such school district on the 19th day of December, 2017.

Signature of Board Secretary

Signature of Board President

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

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

INDEPENDENT AUDITORS' REPORT

The 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, 2017, 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.

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, 2017, 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 information on pages 48 and 51 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 7, 2017 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.

Waco, Texas
December 7, 2017

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WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2017

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, 2017. 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 (\$64,810,375) (net position - deficit). This is a decrease of \$1,444,251 from the previous year. Contributing to this decrease is interest accretion on capital appreciation bonds in the amount of \$2,156,800.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$21,507,838, an increase of \$988,311 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$15,575,395 or 30% of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$13,888,282, or 28% of total General Fund expenditures.
- The District issued \$825,000 in Maintenance Tax Notes, Series 2017 to purchase buses.

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 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 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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. 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 as 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 plan.

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 (\$64,810,375), at the close of the most recent fiscal year.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT NET POSITION

	Governmental Activities	
	2017	2016
Current and other assets	\$ 26,173,987	\$ 25,322,021
Capital assets	<u>127,814,784</u>	<u>132,655,142</u>
Total assets	<u>153,988,771</u>	<u>157,977,163</u>
Deferred outflows of resources	<u>9,749,350</u>	<u>10,274,035</u>
Current liabilities	3,462,623	4,678,332
Long-term liabilities	<u>224,408,924</u>	<u>226,110,499</u>
Total liabilities	<u>227,871,547</u>	<u>230,788,831</u>
Deferred inflows of resources	<u>676,949</u>	<u>828,491</u>
Net position:		
Net investment in capital assets	(69,016,747)	(67,676,959)
Restricted	5,654,395	5,252,812
Unrestricted	<u>(1,448,023)</u>	<u>(941,977)</u>
Total net position	<u><u>\$ (64,810,375)</u></u>	<u><u>\$ (63,366,124)</u></u>

A large portion of net position, (\$69,016,747), 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.

An additional portion of the District's net position, \$5,654,395, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, (\$1,448,023), is a deficit. This is not an indication that the District has significant 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	
	2017	2016
REVENUES		
Program revenues:		
Charges for services	\$ 2,880,477	\$ 2,907,208
Operating grants and contributions	11,716,361	8,532,853
General revenues:		
Maintenance and operations taxes	17,310,681	16,401,775
Debt service taxes	8,268,456	7,885,468
Grants and contributions not restricted	31,238,273	32,466,146
Investment earnings	185,551	65,231
Miscellaneous	232,874	572,204
Extraordinary item - storm damage	-	76,663
Total revenues	<u>71,832,673</u>	<u>68,907,548</u>
EXPENSES		
Instruction	37,444,689	35,689,134
Instructional resources and media services	455,643	439,109
Curriculum and instructional staff development	1,153,908	1,143,571
Instructional leadership	869,753	777,660
School leadership	4,230,007	4,146,928
Guidance, counseling and evaluation services	1,685,480	1,691,124
Social work services	165,107	140,351
Health services	627,609	602,841
Student (pupil) transportation	1,279,729	1,209,605
Food services	3,664,080	3,889,507
Co-curricular/extra curricular activities	2,544,694	2,384,228
General administration	2,162,063	2,170,941
Plant maintenance and operations	6,393,693	6,804,069
Security and monitoring services	363,021	383,939
Data processing services	1,722,806	1,485,885
Community services	597,010	617,985
Debt service - interest on long-term debt	7,652,755	8,476,004
Debt service - bond issuance costs	21,997	127,165
Payments related to shared services		
arrangements	104,265	129,004
Other intergovernmental changes	138,615	131,968
Total expenses	<u>73,276,924</u>	<u>72,441,018</u>
CHANGE IN NET POSITION	<u>(1,444,251)</u>	<u>(3,533,470)</u>
NET POSITION, BEGINNING	<u>(63,366,124)</u>	<u>(59,832,654)</u>
NET POSITION, ENDING	<u><u>\$ (64,810,375)</u></u>	<u><u>\$ (63,366,124)</u></u>

The District's net position decreased by (\$1,444,251) or 2% from the prior fiscal year. The primary reason for this overall decrease is interest accretion on capital appreciation bonds in the amount of \$2,156,800.

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 \$21,507,838, a net increase of \$988,311 from last year's combined fund balance. Unassigned fund balance is \$15,575,395 (72%) 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 unassigned fund balance was \$15,575,395 or 100% while the total fund balance was \$15,576,652. The total fund balance decreased by (\$229,483) from current year operations. This amount was offset by increases in other financing sources and uses of \$854,578 primarily from the issuance of debt for a net increase of \$625,095.

The Debt Service Fund ending fund balance was \$4,512,797, all of which is reserved for the payment of future debt service. The total fund balance increased by \$174,530 in comparison to the prior year.

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.
- Major amendments included \$1,706,206 increase in Function 11 – Instruction, \$224,938 increase in Function 53 – Technology, addition of \$840,973 in Function 51 and 81 – Construction projects, and addition of \$1,103,400 Function 34 – purchase of school buses.
- Amendment to reduce budgets for amounts not spent during the year.

The District's actual General Fund balance of \$15,576,652 differs from the General Fund's budgetary fund balance of \$13,101,510. The difference of \$2,475,142 is primarily due to actual revenues exceeding budgeted revenues by \$897,265 (primarily as result of receiving \$819,819 more in state program revenues than anticipated) and actual expenditures being \$1,545,474 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 \$127,814,784 (net of accumulated depreciation) for a net decrease of (\$4,840,358) or (3.6%) from last year. This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Major additions for the current fiscal year included purchases of new vehicles (\$1,135,300), and ag barn renovations (\$132,058).

District's Capital Assets		
	2017	2016
Land	\$ 4,305,444	\$ 4,305,444
Building & improvements	203,219,506	202,741,545
Furniture & equipment	8,589,339	7,317,830
Less depreciation	(88,299,505)	(81,709,677)
Totals	<u>\$ 127,814,784</u>	<u>\$ 132,655,142</u>

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 \$224,408,924 in long-term debt versus \$226,110,499 last year. The change in long-term debt is primarily attributable to an increase of \$1,976,580 in accreted interest and reduction of bonds payable in the amount of \$2,060,102.

District's Outstanding Debt		
	2017	2016
Bonds payable	\$ 153,974,435	\$ 156,034,537
Accreted interest on CABs	10,702,201	8,725,621
Premium related to CABs	33,768,944	34,761,843
Premium on bonds	8,728,494	10,376,106
Maintenance tax note	5,495,000	5,080,000
Net pension liability (proportionate share)	11,739,850	11,132,392
Totals	<u>\$ 224,408,924</u>	<u>\$ 226,110,499</u>

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 \$159,891,110. 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 2017-2018 refined average daily attendance (ADA) is expected to be 6,300. The budget is based on an ADA of 6,300.
- The District adopted a balance budget (revenue equal expenditures) for 2017-2018.
- 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 Committed during the 2018-19 school year.
- The current amended budget is a negative \$600,776. The negative amount includes \$188,000 CTE allotment not spent in previous two school years and re-budgeting \$243,017 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.

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.

BASIC FINANCIAL STATEMENTS

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WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

Data Control Codes		Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	\$ 2,105,532
1120	Current investments	21,010,737
1220	Property taxes receivables (delinquent)	1,078,264
1230	Allowance for uncollectible taxes	(516,804)
1240	Due from other governments	2,485,705
1290	Other receivables (net)	68
1300	Inventories	9,228
1410	Prepaid items	1,257
	Capital assets:	
1510	Land	4,305,444
1520	Buildings and improvements, net	121,130,427
1530	Furniture and equipment, net	2,378,913
1000	Total assets	<u>153,988,771</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred loss on bond refunding	4,955,122
1705	Deferred outflow related to TRS	4,794,228
1700	Total deferred outflows of resources	<u>9,749,350</u>
	LIABILITIES	
2110	Accounts payable	650,568
2140	Interest payable	40,672
2160	Accrued wages payable	2,330,141
2180	Due to other governments	386,705
2300	Unearned revenue	54,537
	Noncurrent liabilities:	
2501	Due within one year	3,202,423
2502	Due in more than one year	209,466,651
2540	Net pension liability (proportionate share)	11,739,850
2000	Total liabilities	<u>227,871,547</u>
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflow related to TRS	676,949
2600	Total deferred inflows of resources	<u>676,949</u>
	NET POSITION	
3200	Net investment in capital assets	(69,016,747)
	Restricted for:	
3820	Federal and state programs	991,802
3850	Debt service	4,654,240
3890	GAP awards	8,353
3900	Unrestricted	(1,448,023)
3000	Total net position (deficit)	<u><u>\$ (64,810,375)</u></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, 2017

					Net (Expenses)
					Revenue and
					Changes in
					in Net Position
Data Control Codes	Functions/Programs	1	Program Revenues		6
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
	Primary government:				
	Governmental activities:				
11	Instruction	\$ 37,444,689	\$ 468,423	\$ 5,065,060	\$(31,911,206)
12	Instructional resources and media services	455,643	-	18,045	(437,598)
13	Curriculum and staff development	1,153,908	-	474,415	(679,493)
21	Instructional leadership	869,753	-	79,659	(790,094)
23	School leadership	4,230,007	-	246,718	(3,983,289)
31	Guidance, counseling, and evaluation services	1,685,480	-	502,606	(1,182,874)
32	Social work services	165,107	-	7,742	(157,365)
33	Health services	627,609	-	36,088	(591,521)
34	Student transportation	1,279,729	-	117,853	(1,161,876)
35	Food service	3,664,080	1,183,943	2,470,150	(9,987)
36	Extracurricular activities	2,544,694	1,228,111	61,002	(1,255,581)
41	General administration	2,162,063	-	88,851	(2,073,212)
51	Facilities maintenance and operations	6,393,693	-	78,766	(6,314,927)
52	Security and monitoring services	363,021	-	24,546	(338,475)
53	Data processing services	1,722,806	-	48,956	(1,673,850)
61	Community services	597,010	-	79,358	(517,652)
72	Interest on long-term debt	7,652,755	-	2,202,819	(5,449,936)
73	Bond issuance costs and fees	21,997	-	-	(21,997)
93	Payments for shared services arrangements	104,265	-	113,727	9,462
99	Other intergovernmental changes	138,615	-	-	(138,615)
	[TP] Total primary government	<u>\$ 73,276,924</u>	<u>\$ 2,880,477</u>	<u>\$ 11,716,361</u>	<u>(58,680,086)</u>
	Data Control Codes				
	General revenues:				
	Taxes:				
MT	Property taxes, levied for general purposes				17,310,681
DT	Property taxes, levied for debt service				8,268,456
GC	Grants and contributions not restricted to specific programs				31,238,273
IE	Investment earnings				185,551
MI	Miscellaneous				232,874
TR	Total general revenues				<u>57,235,835</u>
CN	Change in net position				<u>(1,444,251)</u>
NB	Net position, beginning				<u>(63,366,124)</u>
NE	Net position, ending				<u>\$(64,810,375)</u>

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

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS					
1110	Cash and cash equivalents	\$ 1,690,614	\$ 85,514	\$ 294,647	\$ 2,070,775
1120	Investments - current	14,976,115	4,813,988	1,220,634	21,010,737
1220	Property taxes - delinquent	759,628	318,636	-	1,078,264
1230	Allowance for uncollectible taxes (credit)	(380,283)	(136,521)	-	(516,804)
1240	Receivables from other governments	2,237,110	-	248,595	2,485,705
1260	Due from other funds	151,425	-	-	151,425
1290	Other receivables	-	-	68	68
1300	Inventories	-	-	9,228	9,228
1410	Prepaid items	1,257	-	-	1,257
1000	Total assets	<u>19,435,866</u>	<u>5,081,617</u>	<u>1,773,172</u>	<u>26,290,655</u>
LIABILITIES					
2110	Accounts payable	229,968	-	121,338	351,306
2160	Accrued wages payable	2,273,295	-	56,846	2,330,141
2170	Due to other funds	264,505	-	151,425	415,930
2180	Due to other governments	-	386,705	-	386,705
2300	Unearned revenues	29,363	-	25,174	54,537
2000	Total liabilities	<u>2,797,131</u>	<u>386,705</u>	<u>354,783</u>	<u>3,538,619</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable revenue	1,062,083	182,115	-	1,244,198
2600	Total deferred inflows of resources	<u>1,062,083</u>	<u>182,115</u>	<u>-</u>	<u>1,244,198</u>
FUND BALANCES					
Nonspendable:					
3430	Prepaid items	1,257	-	-	1,257
Restricted:					
3450	Federal or state grant restrictions	-	-	991,802	991,802
3480	Retirement of long-term debt	-	4,512,797	-	4,512,797
3490	GAP awards	-	-	8,353	8,353
Committed:					
3545	Campus activity	-	-	418,234	418,234
3600	Unassigned	15,575,395	-	-	15,575,395
3000	Total fund balances	<u>15,576,652</u>	<u>4,512,797</u>	<u>1,418,389</u>	<u>21,507,838</u>
4000	Total liabilities, deferred inflows				
4000	and fund balances	<u>\$ 19,435,866</u>	<u>\$ 5,081,617</u>	<u>\$ 1,773,172</u>	<u>\$ 26,290,655</u>

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

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2017

Total fund balances - governmental funds	\$ 21,507,838
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	127,814,784
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	561,459
School health and related services (SHARS)	682,739
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.	(207,713,952)
4 Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(40,672)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability, a deferred resource inflow related to TRS, and a deferred resource outflow related to TRS.	
Net pension liability (proportionate share)	(11,739,850)
Deferred outflow related to TRS	4,794,228
Deferred inflow related to TRS	(676,949)
Net position of governmental activities	\$(<u>64,810,375</u>)

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES					
5700	Local and intermediate sources	\$ 18,206,396	\$ 8,317,296	\$ 2,313,665	\$ 28,837,357
5800	State program	33,487,235	2,202,819	477,388	36,167,442
5900	Federal program	695,008	-	4,928,782	5,623,790
5020	Total revenues	<u>52,388,639</u>	<u>10,520,115</u>	<u>7,719,835</u>	<u>70,628,589</u>
EXPENDITURES					
Current:					
0011	Instruction	30,681,354	-	2,260,081	32,941,435
0012	Instructional resources and media services	330,661	-	-	330,661
0013	Curriculum and instructional staff development	643,985	-	429,267	1,073,252
0021	Instructional leadership	744,978	-	1,659	746,637
0023	School leadership	3,722,673	-	-	3,722,673
0031	Guidance, counseling and evaluation services	1,225,939	-	220,617	1,446,556
0032	Social work services	140,708	-	-	140,708
0033	Health services	536,058	-	1,728	537,786
0034	Student (pupil) transportation	2,351,992	-	-	2,351,992
0035	Food services	-	-	3,466,541	3,466,541
0036	Extracurricular activities	1,358,729	-	998,824	2,357,553
0041	General administration	1,896,577	-	-	1,896,577
0051	Facilities maintenance and operations	5,651,481	-	-	5,651,481
0052	Security and monitoring services	324,697	-	-	324,697
0053	Data processing services	1,686,449	-	-	1,686,449
0061	Community services	417,816	-	48,167	465,983
Debt service:					
0071	Principal on long term debt	410,000	2,060,102	-	2,470,102
0072	Interest on long term debt	118,594	8,282,261	-	8,400,855
0073	Bond issuance costs and fees	18,775	3,222	-	21,997
Capital outlay:					
0081	Facilities acquisition and construction	218,041	-	-	218,041
Intergovernmental:					
0093	Payments for SSA	-	-	104,265	104,265
0099	Other intergovernmental charges	<u>138,615</u>	<u>-</u>	<u>-</u>	<u>138,615</u>
6030	Total expenditures	<u>52,618,122</u>	<u>10,345,585</u>	<u>7,531,149</u>	<u>70,494,856</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>(229,483)</u>	<u>174,530</u>	<u>188,686</u>	<u>133,733</u>
OTHER FINANCING SOURCES (USES)					
7912	Sale of real or personal property	29,578	-	-	29,578
7914	Tax note proceeds	<u>825,000</u>	<u>-</u>	<u>-</u>	<u>825,000</u>
7080	Total other financing sources (uses)	<u>854,578</u>	<u>-</u>	<u>-</u>	<u>854,578</u>
1200	Net change in fund balances	625,095	174,530	188,686	988,311
0100	Fund balance - September 1 (beginning)	<u>14,951,557</u>	<u>4,338,267</u>	<u>1,229,703</u>	<u>20,519,527</u>
3000	Fund balance - August 31 (ending)	<u>\$ 15,576,652</u>	<u>\$ 4,512,797</u>	<u>\$ 1,418,389</u>	<u>\$ 21,507,838</u>

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

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
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, 2017

Net change in fund balances - total governmental funds	\$ 988,311
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(4,840,358)
Some receivables are not considered available revenues and are reported as deferred inflows in the governmental funds.	
Property taxes	122,139
School health and related services (SHARS)	682,739
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Debt issues	(825,000)
Principal repayments	3,643,232
Amortization	1,457,306
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.	
Accrued interest payable on long-term debt	274,464
Accreted interest on capital appreciation bonds	(2,156,800)
Some expenses related to the TRS plan are 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.	
Certain TRS plan expenditures were de-expended and recorded as deferred resource outflows in the statement of activities. Contributions made after the measurement date of the plan.	1,069,196
Contributions made before the measurement date and during the fiscal year were also expended and recorded as a reduction in net pension liability.	(977,672)
Proportionate share of the TRS pension expense on the plan as a whole.	(881,808)
Change in net position of governmental activities	<u><u>\$(1,444,251)</u></u>

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
AUGUST 31, 2017

	Governmental Activities
	<u>Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 34,757
Due from other funds	<u>264,505</u>
Total current assets	<u>299,262</u>
Total assets	<u>299,262</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>299,262</u>
Total current liabilities	<u>299,262</u>
Total liabilities	<u>299,262</u>
NET POSITION	\$ <u><u>-</u></u>

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2017

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 145,245
Total operating revenues	145,245
OPERATING EXPENSES	
Professional and contracted services	145,245
Total operating expenses	145,245
Change in net position	-
NET POSITION, BEGINNING	-
NET POSITION, ENDING	\$ -

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2017

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from user charges	\$ 70,317
Payments for insurance claims	(97,946)
Net cash provided (used) by operating activities	(27,629)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,629)
CASH AND CASH EQUIVALENTS, BEGINNING	62,386
CASH AND CASH EQUIVALENTS, ENDING	34,757
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	-
Adjustments to reconcile operating income to net	
cash provided (used) by operating activities:	
(Increase) in due from other funds	(74,928)
Increase accounts payable	47,299
Net cash provided (used) by operating activities	\$(27,629)

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

	Agency Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ <u> 49,929 </u>
Total assets	<u> 49,929 </u>
LIABILITIES	
Due to student groups	<u> 49,929 </u>
Total liabilities	\$ <u> 49,929 </u>

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WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2017

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, as under 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

Cash and Cash Equivalents

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

The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

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

Property Taxes

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, 2016, were \$1.04 and \$0.50 per \$100 for the General Fund and Debt Service Fund, respectively, based on a net assessed valuation of \$1,598,911,104.

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 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.

Pensions

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of inflows, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenues from 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:

- **Nonspendable:** 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 revenues, 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, 2017 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>
TexPool	\$ 6,545,612	36.3%	30
TexPool Prime	5,506,961	30.6%	47
TexStar	<u>5,958,164</u>	<u>33.1%</u>	28
	<u>\$ 18,010,737</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, and TexSta, 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, 2017, the District’s investments in TexPool 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	\$ 151,425	\$ 264,505
Nonmajor governmental	-	151,425
Internal service fund	264,505	-

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 \$192,504 for the year. The future minimum lease payments for active operating leases are summarized below:

<u>Year Ending August 31</u>	<u>Amount</u>
2018	\$ 183,773
2019	183,773
2020	183,773
2021	183,773

D. Capital Assets

Capital asset activity for the year ended August 31, 2017 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	4,305,444	-	-	4,305,444
Capital assets, being depreciated:				
Buildings and improvements	202,741,545	477,961	-	203,219,506
Furniture and equipment	7,317,928	1,271,411	-	8,589,339
Total capital assets, being depreciated	210,059,473	1,749,372	-	211,808,845
Less accumulated depreciation for:				
Buildings and improvements	75,860,526	6,228,553	-	82,089,079
Furniture and equipment	5,849,250	361,176	-	6,210,426
Total accumulated depreciation	81,709,776	6,589,729	-	88,299,505
Total governmental activities capital assets, net	\$ 132,655,141	\$ (4,840,357)	\$ -	\$ 127,814,784

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

Governmental activities:	
Instruction	\$ 3,859,732
Instruction Resources & Media Services	119,366
Curriculum & Instructional Staff Development	45,254
Instructional Leadership	102,314
School Leadership	411,880
Guidance, Counseling & Evaluation Services	190,855
Social Work Services	20,332
Health Services	76,736
Student (Pupil) Transportation	31,137
Food Services	362,690
Extracurricular Activities	167,244
General Administration	226,271
Plant Maintenance & Operations	799,492
Security & Monitoring Services	31,481
Data Processing Services	22,955
Community Services	121,990
Total depreciation expense	<u>\$ 6,589,729</u>

E. Deferred Inflows of Resources

At August 31, 2017, the District reported the following deferred inflows of resources in the governmental funds:

	General	Debt Service	Total
Unavailable revenue property taxes	\$ 379,344	\$ 182,115	\$ 561,459
Unavailable revenue SHARS cost settlement	<u>682,739</u>	<u>-</u>	<u>682,739</u>
Totals	<u>\$ 1,062,083</u>	<u>\$ 182,115</u>	<u>\$ 1,244,198</u>

F. Long-Term Debt

Changes in the District's long-term liabilities for the year ended August 31, 2017 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$ 156,034,537	\$ -	\$ 2,060,102	\$ 153,974,435	\$ 2,702,423
Accreted interest on CABs	8,725,621	2,156,800	180,220	10,702,201	-
Premium related to CABs	34,761,843	-	992,899	33,768,944	-
Premium on bonds	10,376,106	-	1,647,612	8,728,494	-
Maintenance tax notes	5,080,000	825,000	410,000	5,495,000	500,000
Net pension liability	<u>11,132,292</u>	<u>1,594,543</u>	<u>987,085</u>	<u>11,739,850</u>	<u>-</u>
Total	<u>\$ 226,110,399</u>	<u>\$ 4,576,343</u>	<u>\$ 6,277,918</u>	<u>\$ 224,408,924</u>	<u>\$ 3,202,423</u>

Maintenance Tax Notes

During the current year the District issued a maintenance tax note in the amount of \$825,000 for school buses, 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%	\$ 4,610,000	\$ 3,815,000	\$ -	\$ 285,000	\$ 3,530,000	\$ 295,000
Series 2015							
2016/25	2.49%	1,400,000	1,265,000	-	125,000	1,140,000	130,000
Series 2017							
2017/27	2.34%	<u>825,000</u>	<u>-</u>	<u>825,000</u>	<u>-</u>	<u>825,000</u>	<u>75,000</u>
		<u>\$ 6,835,000</u>	<u>\$ 5,080,000</u>	<u>\$ 825,000</u>	<u>\$ 410,000</u>	<u>\$ 5,495,000</u>	<u>\$ 500,000</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
2018	\$ 500,000	\$ 128,785	\$ 628,785
2019	510,000	116,122	626,122
2020	515,000	103,807	618,807
2021	535,000	91,312	626,312
2022	545,000	78,397	623,397
2023-2027	2,545,000	193,968	2,738,968
2028-2032	<u>345,000</u>	<u>4,106</u>	<u>349,106</u>
Totals	<u>\$ 5,495,000</u>	<u>\$ 716,497</u>	<u>\$ 6,211,497</u>

The District paid \$118,904 in interest expense during the year.

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, 2017, 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 2007 USB&R Bonds /2045	2.9%/ 4.75%	35,432,938	1,248,231	1,248,231	-	-
Series 2011 UTR Bonds/2034	3.54%/ 6.00%	8,328,990	8,012,813	83,739	7,929,074	74,415
Series 2012 UTR Bonds/2031	0.3%/ 3.61%	30,574,884	30,249,884	643,132	29,606,752	538,873
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	48,690,497	-	48,690,497	189,135
Series 2015A UTR Bonds/2037	2.0%/ 5.00%	16,155,000	15,820,000	-	15,820,000	1,450,000
Series 2015B UTR Bonds/2041	2.0%/ 4.59%	7,268,826	7,123,826	-	7,123,826	110,000
Series 2016 UTR Bonds/2032	2.0%/ 3.00%	2,115,000	2,060,000	85,000	1,975,000	340,000
Totals			<u>\$ 156,034,537</u>	<u>\$ 2,060,102</u>	<u>\$ 153,974,435</u>	<u>\$ 2,702,423</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
2018	\$ 2,702,423	\$ 7,788,241	\$ 10,490,664
2019	2,044,696	8,494,468	10,539,164
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
2023-2027	19,612,730	38,103,789	57,716,519
2028-2032	32,007,990	31,690,297	63,698,287
2033-2037	16,759,622	49,779,010	66,538,632
2038-2042	31,324,834	49,779,010	81,103,844
2043-2047	<u>43,585,000</u>	<u>3,904,150</u>	<u>47,489,150</u>
Totals	<u>\$ 153,974,435</u>	<u>\$ 216,216,566</u>	<u>\$ 370,191,001</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, 2017.

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, 2017, there are no bonds considered defeased that are still outstanding.

G. 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. 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/about/documents/cafr.pdf#CAFR>; or by calling (512) 542-6592.

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

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 above.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates		
	2016	2017
Member	7.2%	7.7%
Non-employer contributing entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Current fiscal year employer contributions		\$ 1,069,196
Current fiscal year member contributions		2,758,407
2016 measurement year NECE on-behalf contributions		1,765,649

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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate - The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016, are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	-	1.8%	-
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	(0.2%)	-
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	-
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	-	1.2%	-
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation expectation			2.2%
Alpha	-		1.0%
Total	100.0%		8.7%

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of net pension liability	\$ 18,169,332	\$ 11,739,850	\$ 6,286,348

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2017, the District reported a liability of \$11,739,850 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	\$ 11,739,850
State's proportionate share that is associated with the District	20,957,985
Total	<u>\$ 32,697,835</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.0310672% which was a decrease of 0.0004259% from its proportion measured as of August 31, 2015.

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

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

For the measurement period August 31, 2016, the District recognized pension expense of \$2,174,939 and revenue of \$2,174,939 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 184,079	\$ 350,545
Changes in actuarial assumptions	357,810	325,413
Difference between projected and actual investment earnings	994,106	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,189,037	991
Total as of August 31, 2016 measurement date	3,725,032	676,949
Contributions paid to TRS subsequent to the measurement date	1,069,196	-
Total as of fiscal year-end	\$ 4,794,228	\$ 676,949

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
2018	\$ 530,423
2019	530,423
2020	1,164,513
2021	481,702
2022	292,945
Thereafter	48,077

H. Retiree Health Plan

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

Funding Policy – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.00% for 2015, 2016 and 2017. The funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The contribution rate for the District was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the District payroll for each of the three years. For staff members funded by federal programs, the federal programs are required to contribute 1.0%.

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statement as both revenue and expenditures. State contributions to TRS-Care made on behalf of the District’s employees as well as the District’s required contributions and federal grant program contributions for the years ended August 31, 2017, 2016 and 2015 are as follows:

	Contribution Amounts		
	2017	2016	2015
District Contributions	\$ 197,245	\$ 186,327	\$ 178,837
State Contributions	358,627	338,777	325,157
Employee Contributions	233,108	220,208	211,354

I. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$106,414, \$129,000, and \$130,865 were recognized for the years ended August 31, 2017, 2016, and 2015, respectively, as equal revenues and expenditures

J. 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, 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.

K. 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
2016	\$ 365,665	\$(5,408)	\$ 108,294	\$ 251,963
2017	251,963	142,845	95,546	299,262

L. 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 related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

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.

M. 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.

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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, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 17,996,470	\$ 18,129,958	\$ 18,206,396	\$ 76,438
5800	State program	31,706,286	32,667,416	33,487,235	819,819
5900	Federal program	144,199	694,000	695,008	1,008
5020	Total revenues	49,846,955	51,491,374	52,388,639	897,265
EXPENDITURES					
Current:					
0011	Instruction	29,571,131	31,277,337	30,681,354	595,983
0012	Instructional resources and media services	328,504	334,517	330,661	3,856
0013	Curriculum and instructional staff development	641,325	665,099	643,985	21,114
0021	Instructional leadership	711,549	755,461	744,978	10,483
0023	School leadership	3,676,041	3,725,402	3,722,673	2,729
0031	Guidance, counseling and evaluation services	1,347,641	1,242,349	1,225,939	16,410
0032	Social work services	132,621	144,483	140,708	3,775
0033	Health services	565,987	552,587	536,058	16,529
0034	Student (pupil) transportation	1,255,740	2,359,140	2,351,992	7,148
0036	Extracurricular activities	1,360,342	1,444,764	1,358,729	86,035
0041	General administration	2,050,220	2,001,337	1,896,577	104,760
0051	Facilities maintenance and operations	5,507,383	5,948,356	5,651,481	296,875
0052	Security and monitoring services	399,869	347,366	324,697	22,669
0053	Data processing services	1,627,235	1,852,173	1,686,449	165,724
0061	Community services	421,377	425,450	417,816	7,634
Debt Service:					
0071	Principal on long term debt	415,000	410,000	410,000	-
0072	Interest on long term debt	120,000	120,000	118,594	1,406
0073	Bond issuance costs and fees	-	18,775	18,775	-
Capital Outlay:					
0081	Facilities acquisition and construction	-	400,000	218,041	181,959
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	50,000	-	-	-
0099	Other intergovernmental charges	165,000	139,000	138,615	385
6030	Total expenditures	50,346,965	54,163,596	52,618,122	1,545,474
1100	Excess (deficiency) of revenues over (over) expenditures	(500,010)	(2,672,222)	(229,483)	2,442,739
OTHER FINANCING SOURCES (USES)					
7912	Sale of real or personal property	-	-	29,578	29,578
7914	Tax notes proceeds	-	822,175	825,000	2,825
7080	Total other financing sources (uses)	-	822,175	854,578	32,403
1200	Net change in fund balances	(500,010)	(1,850,047)	625,095	2,475,142
0100	Fund balance - September 1 (beginning)	14,951,557	14,951,557	14,951,557	-
3000	Fund balance - August 31 (ending)	\$ 14,451,547	\$ 13,101,510	\$ 15,576,652	\$ 2,475,142

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED BUDGETARY SCHEDULE
AUGUST 31, 2017

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.

The General Fund – Major amendments included \$1,706,206 increase in Function 11 – Instruction for student technology and CTE projects, \$1,103,400 increase in Function 34 – Student (Pupil) Transportation for the purchase of 12 school buses, \$440,973 increase in Function 51 – Facilities Maintenance & Operations for additional maintenance expenditures, and an increase of \$400,000 in Function 81 – for construction and renovation projects.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2017

	Measurement Year Ended August 31,		
	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0310672%	0.0314931%	0.0213237%
District's proportionate share of net pension liability (asset)	\$ 11,739,850	\$ 11,132,392	\$ 5,695,856
States proportionate share of the net pension liability (asset) associated with the District	<u>20,957,985</u>	<u>20,172,521</u>	<u>18,279,451</u>
Total	<u>\$ 32,697,835</u>	<u>\$ 31,304,913</u>	<u>\$ 23,975,307</u>
District's covered employee payroll	\$ 33,877,660	\$ 32,515,707	\$ 32,967,207
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	34.65%	34.24%	17.28%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

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

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2017

	Fiscal Year Ended August 31,		
	2017	2016	2015
Contractually required contribution	\$ 1,069,196	\$ 987,085	\$ 963,149
Contribution in relation to the contractually required contribution	(1,069,196)	(987,085)	(963,149)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 35,862,709	\$ 33,877,660	\$ 32,515,707
Contributions as a percentage of covered employee payroll	2.98%	2.91%	2.96%

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

COMBINING STATEMENTS

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program
ASSETS					
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 136,611
1120	Investments - current	-	-	-	940,100
1240	Receivables from other governments	5,095	42,759	214	93,207
1290	Other receivables	-	-	-	68
1300	Inventories	-	-	-	9,228
1000	Total assets	<u>5,095</u>	<u>42,759</u>	<u>214</u>	<u>1,179,214</u>
LIABILITIES					
2110	Accounts payable	-	-	-	121,338
2160	Accrued wages payable	-	-	-	56,846
2170	Due to other funds	5,095	42,759	214	-
2300	Unearned revenues	-	-	-	9,228
2000	Total liabilities	<u>5,095</u>	<u>42,759</u>	<u>214</u>	<u>187,412</u>
FUND BALANCES					
Restricted:					
3450	Federal or state grant restriction	-	-	-	991,802
3490	GAP awards	-	-	-	-
Committed:					
3545	Campus activity	-	-	-	-
3000	Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>991,802</u>
4000	Total liabilities and fund balances	<u>\$ 5,095</u>	<u>\$ 42,759</u>	<u>\$ 214</u>	<u>\$ 1,179,214</u>

EXHIBIT H-1

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	410 State Textbook Fund	412 Public School Child Care Services	429 Other State Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,500
-	-	-	-	-	-	-	-
1,669	4,432	152	-	-	101,067	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,669</u>	<u>4,432</u>	<u>152</u>	<u>-</u>	<u>-</u>	<u>101,067</u>	<u>-</u>	<u>3,500</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,669	4,432	152	-	-	97,104	-	-
-	-	-	-	-	3,963	-	3,500
<u>1,669</u>	<u>4,432</u>	<u>152</u>	<u>-</u>	<u>-</u>	<u>101,067</u>	<u>-</u>	<u>3,500</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,669</u>	<u>\$ 4,432</u>	<u>\$ 152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,067</u>	<u>\$ -</u>	<u>\$ 3,500</u>

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WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		461 Campus Activity Funds	482 Liberty After School Program	486 Foundation GAP Awards	Total Nonmajor Governmental Funds
ASSETS					
1110	Cash and cash equivalents	\$ 137,700	\$ 8,483	\$ 8,353	\$ 294,647
1120	Investments - current	280,534	-	-	1,220,634
1240	Receivables from other governments	-	-	-	248,595
1290	Other receivables	-	-	-	68
1300	Inventories	-	-	-	9,228
1000	Total assets	<u>418,234</u>	<u>8,483</u>	<u>8,353</u>	<u>1,773,172</u>
LIABILITIES					
2110	Accounts payable	-	-	-	121,338
2160	Accrued wages payable	-	-	-	56,846
2170	Due to other funds	-	-	-	151,425
2300	Unearned revenues	-	8,483	-	25,174
2000	Total liabilities	<u>-</u>	<u>8,483</u>	<u>-</u>	<u>354,783</u>
FUND BALANCES					
Restricted:					
3450	Federal or state grant restriction	-	-	-	991,802
3490	GAP awards	-	-	8,353	8,353
Committed:					
3545	Campus activity	<u>418,234</u>	<u>-</u>	<u>-</u>	<u>418,234</u>
3000	Total fund balances	<u>418,234</u>	<u>-</u>	<u>8,353</u>	<u>1,418,389</u>
4000	Total liabilities and fund balances	<u>\$ 418,234</u>	<u>\$ 8,483</u>	<u>\$ 8,353</u>	<u>\$ 1,773,172</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, 2017

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula	225 IDEA Part B Preschool	240 National Breakfast and Lunch Program
REVENUES					
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ 1,189,809
5800	State program	-	-	-	53,062
5900	Federal program	<u>1,024,170</u>	<u>1,187,758</u>	<u>32,511</u>	<u>2,411,807</u>
5020	Total revenues	<u>1,024,170</u>	<u>1,187,758</u>	<u>32,511</u>	<u>3,654,678</u>
EXPENDITURES					
	Current:				
0011	Instruction	708,809	862,876	32,511	-
0013	Curriculum and instructional staff development	311,974	-	-	-
0021	Instructional leadership	1,659	-	-	-
0031	Guidance, counseling and evaluation services	-	220,617	-	-
0033	Health services	1,728	-	-	-
0035	Food services	-	-	-	3,466,541
0036	Extracurricular activities	-	-	-	-
0061	Community services	-	-	-	-
	Intergovernmental:				
0093	Payments for SSA	<u>-</u>	<u>104,265</u>	<u>-</u>	<u>-</u>
6030	Total expenditures	<u>1,024,170</u>	<u>1,187,758</u>	<u>32,511</u>	<u>3,466,541</u>
1200	Net change in fund balances	-	-	-	188,137
0100	Fund balance - September 1 (beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>803,665</u>
3000	Fund balance - August 31 (ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 991,802</u>

EXHIBIT H-2

(Continued)

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	410 State Textbook Fund	412 Public School Child Care Services	429 Other State Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,167	\$ -
-	-	-	-	1,800	271,717	-	150,771
<u>68,007</u>	<u>126,570</u>	<u>73,299</u>	<u>4,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>68,007</u>	<u>126,570</u>	<u>73,299</u>	<u>4,660</u>	<u>1,800</u>	<u>271,717</u>	<u>48,167</u>	<u>150,771</u>
68,007	9,277	73,299	4,660	1,800	271,717	-	150,771
-	117,293	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	48,167	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>68,007</u>	<u>126,570</u>	<u>73,299</u>	<u>4,660</u>	<u>1,800</u>	<u>271,717</u>	<u>48,167</u>	<u>150,771</u>
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		461 Campus Activity Funds	482 Liberty After School Program	486 Foundation GAP Awards	Total Nonmajor Governmental Funds
REVENUES					
5700	Local and intermediate sources	\$ 1,012,821	\$ 630	\$ 62,238	\$ 2,313,665
5800	State program	-	38	-	477,388
5900	Federal program	-	-	-	4,928,782
5020	Total revenues	<u>1,012,821</u>	<u>668</u>	<u>62,238</u>	<u>7,719,835</u>
EXPENDITURES					
Current:					
0011	Instruction	-	668	75,686	2,260,081
0013	Curriculum and instructional staff development	-	-	-	429,267
0021	Instructional leadership	-	-	-	1,659
0031	Guidance, counseling and evaluation services	-	-	-	220,617
0033	Health services	-	-	-	1,728
0035	Food services	-	-	-	3,466,541
0036	Extracurricular activities	998,824	-	-	998,824
0061	Community services	-	-	-	48,167
Intergovernmental:					
0093	Payments for SSA	-	-	-	104,265
6030	Total expenditures	<u>998,824</u>	<u>668</u>	<u>75,686</u>	<u>7,531,149</u>
1200	Net change in fund balances	13,997	-	(13,448)	188,686
0100	Fund balance - September 1 (beginning)	<u>404,237</u>	<u>-</u>	<u>21,801</u>	<u>1,229,703</u>
3000	Fund balance - August 31 (ending)	<u>\$ 418,234</u>	<u>\$ -</u>	<u>\$ 8,353</u>	<u>\$ 1,418,389</u>

REQUIRED TEA SCHEDULES

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2017

	1	2	3	10	20
	Tax Rates		Net Assessed/ Appraised Value for School Tax Purpose	Beginning Balance 9/1/2016	Current Year's Total Levy
<u>Last Ten Years Ended August 31,</u>	<u>Maintenance</u>	<u>Debt Service</u>			
2008 and prior years	various	various	various	\$ 309,896	\$ -
2009	1.040000	0.458400	1,330,129,732	43,909	-
2010	1.040000	0.500000	1,587,446,887	50,959	-
2011	1.040000	0.500000	1,442,831,364	43,824	-
2012	1.040000	0.500000	1,518,036,104	30,579	-
2013	1.040000	0.500000	1,654,544,805	59,293	-
2014	1.040000	0.500000	1,475,635,974	71,583	-
2015	1.040000	0.500000	1,581,388,247	91,198	-
2016	1.040000	0.500000	1,465,946,753	225,847	-
2017	1.040000	0.500000	1,598,911,104	-	24,623,231
1000 Totals				<u>\$ 927,088</u>	<u>\$ 24,623,231</u>

31	32	40	50
Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/2017
\$ 6,215	\$ 1,805	\$ (8,828)	\$ 293,048
1,291	529	(1,190)	40,899
1,740	767	(1,184)	47,268
1,638	788	(1,130)	40,268
2,953	1,420	83	26,289
1,633	785	(3,248)	53,627
2,129	1,024	(3,160)	65,270
15,530	7,467	(12,234)	55,967
52,777	25,374	24,165	171,861
<u>16,957,975</u>	<u>8,152,873</u>	<u>771,384</u>	<u>283,767</u>
<u>\$ 17,043,881</u>	<u>\$ 8,192,832</u>	<u>\$ 764,658</u>	<u>\$ 1,078,264</u>

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NATIONAL BREAKFAST AND LUNCH PROGRAM FUND
FOR THE YEAR ENDED AUGUST 31, 2017

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	Final Budget
					Positive
					(Negative)
REVENUES					
5700	Local and intermediate sources	\$ 1,103,000	\$ 1,166,773	\$ 1,189,809	\$ 23,036
5800	State program	55,000	55,000	53,062	(1,938)
5900	Federal program	<u>2,345,000</u>	<u>2,345,000</u>	<u>2,411,807</u>	<u>66,807</u>
5020	Total revenues	<u>3,503,000</u>	<u>3,566,773</u>	<u>3,654,678</u>	<u>87,905</u>
EXPENDITURES					
Current:					
0035	Food service	<u>3,503,000</u>	<u>3,518,565</u>	<u>3,466,541</u>	<u>52,024</u>
6030	Total expenditures	<u>3,503,000</u>	<u>3,518,565</u>	<u>3,466,541</u>	<u>52,024</u>
1200	Net change in fund balances	<u>-</u>	<u>48,208</u>	<u>188,137</u>	<u>139,929</u>
0100	Fund balance - September 1 (beginning)	<u>803,665</u>	<u>803,665</u>	<u>803,665</u>	<u>-</u>
3000	Fund balance - August 31 (ending)	<u>\$ 803,665</u>	<u>\$ 851,873</u>	<u>\$ 991,802</u>	<u>\$ 139,929</u>

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 8,471,768	\$ 8,315,000	\$ 8,317,296	\$ 2,296
5800	State program	2,508,434	2,322,449	2,202,819	(119,630)
5020	Total revenues	10,980,202	10,637,449	10,520,115	(117,334)
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	2,060,102	2,060,102	2,060,102	-
0072	Interest on long-term debt	8,282,261	8,282,261	8,282,261	-
0073	Bond issuance costs and fees	8,000	8,000	3,222	4,778
6030	Total expenditures	10,350,363	10,350,363	10,345,585	4,778
1200	Net change in fund balances	629,839	287,086	174,530	(112,556)
0100	Fund balance - September 1 (beginning)	4,338,267	4,338,267	4,338,267	-
3000	Fund balance - August 31 (ending)	\$ 4,968,106	\$ 4,625,353	\$ 4,512,797	\$(112,556)

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FEDERAL AWARDS SECTION

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

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

To the Board of Trustees of
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, 2017, 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 7, 2017.

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.

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.

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

Waco, Texas
December 7, 2017



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

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

To the Board of Trustees of
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, 2017. 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.

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, 2017.

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 in the in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 7, 2017

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

(1) Federal Grantor/ Pass-through Grantor/ Grantor/Program Title	(2) Federal CFDA Number	(2A) Pass-through Entity Identifying Number	(3) Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Education Agency:			
School Breakfast Program (SBP)	10.553	71401701	\$ 393,698
National School Lunch Program (NSLP)	10.555	71301701	<u>1,745,869</u>
Total Passed through the Texas Education Agency			<u>2,139,567</u>
Passed through the Texas Department of Agriculture:			
National School Lunch Program Commodities - Non-cash assistance	10.555	01032 CE	<u>272,240</u>
Total Passed through the Texas Department of Agriculture			<u>272,240</u>
Total Child Nutrition Cluster			<u>2,411,807</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>2,411,807</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
Title I, Part A - Grants to Local Education Agencies	84.010	17610100000000	<u>1,024,170</u>
Total Title I, Part A Cluster			<u>1,024,170</u>
IDEA B Formula - Special Education Grants to States	84.027	176600000000000000	1,187,758
IDEA Preschool - Special Education Preschool Grants	84.173	176610000000000000	<u>32,511</u>
Total IDEA Cluster			<u>1,220,269</u>
Perkins IV - Career and Technical Education	84.048A	1742000000000000	68,007
Title III, Part A - English Language Acquisition	84.365A	1767100000000000	73,299
Title II, Part A - Supporting Effective Instruction State Grants	84.367A	1769450000000000	126,570
Summer School for Limited English Proficient Students	84.369A	69551602	<u>4,660</u>
Total Passed through the Texas Education Agency			<u>2,516,975</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>2,516,975</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through Texas Health and Human Services Commission:			
Medicaid Administrative Claiming Program - MAC	93.778	529-09-0032-00046	<u>12,230</u>
Total Passed through Texas Health and Human Services Commission			<u>12,230</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>12,230</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,941,012</u>

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
AUGUST 31, 2017

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. PASS-THROUGH EXPENDITURES

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

4. INDIRECT COSTS

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

5. 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)	\$ 5,623,790
School health and related services revenue	<u>(682,778)</u>
Federal expenditures on the Schedule of Expenditures of Federal Awards (Exhibit K-1)	\$ <u><u>4,941,012</u></u>

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017**

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:
10.553 and 10.555	Child Nutrition 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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