

**WHITE SETTLEMENT INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED**

**AUGUST 31, 2016**

**WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT**

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Year Ended August 31, 2016**

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## CERTIFICATE OF THE BOARD

White Settlement Independent School District  
Name of School District

Tarrant  
County

220-920  
Co. – Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on the \_\_\_\_\_ day of \_\_\_\_\_, 2016.

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

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

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

# KIRK, RICHARDSON & POOLE, P. C.

## Certified Public Accountants

<b>Tom Kirk, CPA</b>	<b>Don Richardson, CPA</b>	<b>Cindy Poole, CPA</b>
<b>7559 John T. White Road</b>	<b>P. O. Box 8342</b>	<b>Fort Worth, Texas 76124</b>
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### INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
White Settlement Independent School District  
401 S. Cherry Lane  
White Settlement, Texas 76108

#### 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 (the "District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-14 and 60 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. Also included as required supplementary information are the schedule of the District's proportionate share of the net pension liability – Teacher Retirement System of Texas and schedule of District contributions – Teacher Retirement System of Texas on pages 61 and 62 respectively. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining fund financial statements, the required Texas Education Agency schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, the required Texas Education Agency 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.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-4 and J-5.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reports

and compliance with the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Kirk, Richardson & Poole, P.C.*

Kirk, Richardson & Poole P.C.  
Fort Worth, Texas  
November 30, 2016

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016  
UNAUDITED

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As management of the White Settlement Independent School District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2016. Please read this narrative in conjunction with the independent auditor's report and the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District issued \$2,115,000 in Unlimited Tax Refunding Bonds, Series 2016 to refund a portion of the District's Unlimited Tax School Building and Refunding Bonds, Series 2007. See Bonds Payable footnote for more detailed explanation.
- The District issued a \$1,400,000 Maintenance Tax Note, Series 2015 for baseball and softball field renovations.
- 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 \$63,366,124 (net position). This is an additional decrease of \$3,533,470 from the previous year. Contributing to this decrease is deferred outflows of resources of \$34,455,720 for deferred charge for refunding and \$5,128,596 related to TRS. Noncurrent liabilities include \$(44,262,408) for interest accretion on Capital Appreciation Bonds and deferred inflow related to TRS of \$(828,491).
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$20,519,527, a decrease of \$209,740 from the prior year. The General Fund had a net increase of \$951,802 composed of a decrease of \$624,321 from current year operations, offset by increases of \$1,400,000 from issuing the above referenced Maintenance Tax Note, \$99,460 transfer in from the Proprietary Fund, and by \$76,663 from receipt of mineral interest. The Debt Service Fund had a net decrease of \$1,048,090 composed of a decrease of \$151,961 from current year operations plus a net decrease of \$896,129, composed of \$2,115,000 refunding bond issued, \$149,723 premium on issuance of bonds, and \$(3,160,652) payment to bond refunding escrow agent. Other funds had a net decrease from current year operations of \$113,452 composed of a \$114,400 decrease in National Breakfast & Lunch Program, a decrease in Campus Activity Funds of \$2,986, and an increase of \$3,3934 from Foundation GAP Awards.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,888,282 or 27% of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$12,913,102, or 28% of total General Fund expenditures.
- No new programs were added during the year

## 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 - These statements provide information about the activities of the District as a whole and present both a long-term and short-term view of the District's finances. The



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government-wide financial statements include the statement of net position and the statement of activities.

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

The statement of activities presents information on all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (government activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no business-type activities and no component units for which it is financially accountable.

- Fund financial statements – These statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Some funds are required by State law and/or bond covenants. Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All the funds of the District can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds – these financial statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.
- Proprietary funds – these financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the revenues covered the expenses of the goods or services. The District uses this fund to report activities for its self-funded insurance program.
- Fiduciary funds – these financial statements provide information about activities for which the District acts solely as a trustee or agent for the benefit of others, for example, student activity funds and scholarships for graduating students. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's operations.
- Notes to the financial statements - The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide statements and the fund financial statements.
- Other information – This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. The Management's Discussion and

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Analysis is required supplementary information under governmental accounting standards. The "Combining Schedules" for nonmajor funds contain even more information about the District's individual funds. The "Required Texas Education Agency Schedules" and "Reports on Internal Controls, Compliance and Federal Awards" contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with terms of grants.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table 1) and the statement of activities (Table 2) of the District's governmental activities.

**Table 1**  
**Net Position**

	Governmental Activities	
	2016	2015
<b>ASSETS:</b>		
Current and other assets	\$ 25,322,021	\$ 24,074,885
Capital assets	132,655,142	136,799,735
Total assets	157,977,163	160,874,620
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred charge for refunding	34,455,720	35,903,193
Teacher Retirement System	5,128,596	1,421,474
Total deferred outflow of resources	39,584,316	37,324,667
<b>LIABILITIES:</b>		
Current liabilities	4,678,332	3,162,177
Long term liabilities	255,420,780	253,127,385
Total liabilities	260,099,112	256,289,562
<b>DEFERRED INFLOW OF RESOURCES:</b>		
Teacher Retirement System	828,494	1,742,379
<b>NET POSITION:</b>		
Net investment in capital assets	(32,915,116)	(31,374,479)
Restricted	5,252,812	6,426,533
Unrestricted	(35,703,820)	(34,884,708)
Total net position	<u>\$(63,366,124)</u>	<u>\$(59,832,654)</u>

The District's governmental activities net position decreased by \$3,533,470, as previously discussed, from \$(59,832,654) to \$(63,366,124). A large portion of net position, \$(32,915,116) or (52%), 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, \$5,252,812 or 8%, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets, \$(35,703,820) or (56%), may be used to meet the District's ongoing obligations. This is not an indication that the District has significant resources available

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016  
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to meet financial obligations next year, but rather the result of having long-term commitments that are more than currently available resources.

**Table 2**  
**Statement of Activities**

	Governmental Activities	
	2016	2015
REVENUES:		
Program revenues:		
Charges for services	\$ 2,907,208	\$ 1,976,220
Operating grants and contributions	8,532,853	7,610,559
General revenues:		
Maintenance and operations taxes	16,401,775	16,387,518
Debt service taxes	7,885,468	7,878,614
State aid – formula grants	30,136,897	28,102,988
Grants and contributions not restricted	2,329,249	2,444,587
Investment earnings	65,231	23,136
Miscellaneous local & intermediate revenue	572,204	1,052,896
Special & extraordinary items	76,663	209,495
Total revenues	68,907,548	65,686,013
EXPENSES:		
Instruction	35,689,134	33,385,844
Instruction resources & media services	439,109	415,540
Curriculum & staff development	1,143,571	964,060
Instructional leadership	777,660	603,509
School leadership	4,146,928	3,751,520
Guidance, counseling & evaluation services	1,691,124	1,556,950
Social work services	140,351	127,897
Health services	602,841	643,589
Student transportation	1,209,605	1,216,737
Food service	3,889,507	3,699,429
Extracurricular activities	2,384,228	2,229,485
General administration	2,170,941	1,929,900
Plant maintenance & operations	6,804,069	6,029,101
Security & monitoring services	383,939	374,356
Data processing services	1,485,885	1,395,154
Community services	617,985	560,264
Interest on long-term debt	8,476,004	7,756,231
Bond issuance costs & fees	127,165	397,920
Capital outlay	0	0
Payments to other governmental agencies	260,972	264,407
Total expenses	72,441,018	67,301,893
Increase/(Decrease) in net position before inflows/ outflows and special items	(3,533,470)	(1,615,880)
Net position beginning of year	(59,832,654)	(51,763,347)
Prior period adjustment	0	(6,453,427)
Net position end of year	\$( 63,366,124)	\$(59,832,654)

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Governmental Revenue by Source**

	Governmental Activities	
	2016	2015
Program Revenues:		
Charges for services	4.2%	3.0%
Operating grants and contributions	12.4%	11.6%
General Revenues:		
Maintenance & operating taxes	23.8%	24.9%
Debt service taxes	11.4%	12.0%
State aid – formula grants	43.7%	42.8%
Grants and contributions not restricted	3.4%	3.7%
Investment earnings	0.1%	0.0%
Miscellaneous local & intermediate revenue	0.8%	1.6%
Special & extraordinary items	0.2%	0.4%
Total Revenues	100.0%	100.0%

**Governmental Expenses by Function**

	Governmental Activities	
	2016	2015
Instruction	49.1%	49.7%
Instruction resources & media services	0.6%	0.6%
Curriculum & staff development	1.6%	1.4%
Instructional leadership	1.1%	0.9%
School leadership	5.7%	5.6%
Guidance, counseling & evaluation services	2.3%	2.3%
Social work services	0.2%	0.2%
Health services	0.8%	1.0%
Student transportation	1.7%	1.8%
Food service	5.4%	5.5%
Extracurricular activities	3.3%	3.1%
General administration	3.0%	2.9%
Plant maintenance & operations	9.4%	9.0%
Security & monitoring services	0.5%	0.6%
Data processing services	2.1%	2.1%
Community services	0.9%	0.8%
Debt service – interest on long-term debt	11.7%	11.5%
Debt service – bond issuance cost and fees	0.2%	0.6%
Capital outlay	0.0%	0.0%
Payments to other governmental agencies	0.4%	0.4%
	100.0%	100.0%

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The District's net position decreased by \$3,533,470 or 5.6% from current fiscal year operation from last year as shown below.

1) Total net change in Fund Balances – Governmental Funds	\$ (209,740)
2) Capital outlays and long-term debt principal	5,364,397
3) Depreciation	(6,622,098)
4) GASB 68 adjustments	(815,526)
5) Other miscellaneous adjustments	(1,249,903)
Total	<u>\$ (3,533,470)</u>

The District is required under GASB 68 to report its proportionate share of the unfunded liability associated with the Teacher Retirement System of Texas (TRS) pension plan. The required entries to record the effects of GASB 68 and GASB 71, an amendment to GASB 68, are book entries only in the statement of governmental activities and do not affect the funding of the District. These entries decreased the District's ending net position and is discussed in greater detail in the notes to the financial statements.

### GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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 spending at the end of a fiscal year.

The District's governmental funds reported a combined ending fund balance of \$20,519,527, a net decrease of \$209,740 from last year's combined fund balance. Unassigned fund balance is \$13,888,282 (67.7%) 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 nonspendable, restricted, committed, or assigned for the following items:

Nonspendable fund balance:	
Prepaid items – General Fund	\$ 1,729
Restricted fund balance:	
Federal or state funds grant restrictions	803,665
Retirement of long-term debt	4,338,267
Committed fund balance:	
Campus activity funds	404,237
Assigned fund balance:	
Other assigned – General Fund	1,061,546
Foundation GAP Awards	21,801

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 \$13,888,282 or 92.9% while the total fund balance was \$14,951,557. The total fund balance decreased by \$(624,321) from current year operations. This amount was offset by increases due to non-current loans of \$1,400,000, transfers in of \$99,460, and by mineral interest of \$76,663 for a net increase of \$951,082.

The Debt Service Fund ending fund balance was \$4,338,267, all of which is reserved for the payment of future debt service. The total fund balance decreased by \$(151,961) from current year operations. This amount was offset by increases due to refunding bonds issued of \$2,115,000, premium on issuance of bonds

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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of \$149,723, and by payments to bond refunding escrow agent of \$(3,160,852) for a net decrease of \$(1,048,090).

## 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:

1. Amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we originally estimated).
2. Major amendments included \$2,269,642 increase in Function 81 – Facilities Acquisition & Construction for authorized construction projects, \$571,974 increase in Function 53 – Data Processing Services for computer maintenance and upgrades, \$554,882 increase in Function 51 – Facilities Maintenance & Operations for unanticipated maintenance expenditures, and an increase of \$190,000 in Debt Service expenditures.
3. Amendments to move funds from programs that did not need all the resources originally appropriated to programs with resource needs.

The District's actual General Fund balance of \$14,951,557 differs from the General Fund's budgetary fund balance of \$12,671,539. The difference of \$2,280,018 is primarily due to actual revenues exceeding budgeted revenues by \$1,033,169 (primarily as result of receiving \$740,394 more in state program revenues than anticipated) and actual expenditures being \$1,070,726 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 \$132,655,142 (net of accumulated depreciation) for a net decrease of \$(4,144,593) or (3.2%) from last year. Major change is capital assets resulted primarily from baseball and softball field renovations with an offset of current year depreciation. This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Major additions for the current year included:

Baseball and softball field renovations and netting	\$1,342,476
Liberty kitchen renovations	561,796

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

CAPITAL ASSETS		
	2016	2015
Land	\$ 4,305,444	\$ 4,305,444
Construction-in-progress	0	0
Buildings & improvements	202,741,545	200,473,521
Furniture & equipment	7,317,830	7,117,848
Less depreciation	(81,709,677)	(75,097,078)
Totals	<u>\$132,655,142</u>	<u>\$136,799,735</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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## Debt Administration

At year-end, the District had \$255,420,780 in long-term debt versus \$253,127,385 last year. Most of the increase in long-term debt is attributable to an increase of \$5,436,536 in net pension liability (District share – TRS), a net increase in maintenance tax notes of \$985,000, and an increase in accreted interest of \$908,287, offset by scheduled debt service payments and amortization of bond premiums.

	LONG TERM DEBT	
	Governmental Activities	
	2016	2015
Bonds payable	\$156,034,526	\$159,475,818
Accreted interest	44,262,409	43,354,122
Unamortized premium/(discount)	38,911,453	40,506,589
Maintenance tax note	5,080,000	4,095,000
Net pension liability (District share – TRS)	11,132,392	5,695,856
Totals	\$255,420,780	\$253,127,385

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 \$146,594,675. Current District's outstanding general obligation debt exceeds this amount.

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

- The District's 2016-2017 refined average daily attendance (ADA) is expected to be 6,175. The budget is based on an ADA of 6,175.
- The District's 2015-2016 original adopted budget for the general fund (M&O) included using \$500,000 of fund balance to balance budget.
- The current amended budget is a negative \$1,365,586. The negative amount includes \$277,000 CTE allotment not spent in previous two school years and re-budgeting \$252,888 for projects not completed in previous year.
- The District is continuing to work with its financial advisors and bond advisors to refinance bonded indebtedness.

## 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



WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

EXHIBIT A-1

Data	Primary Government
Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,425,162
1120 Current Investments	20,084,421
1220 Property Taxes Receivable (Delinquent)	927,088
1230 Allowance for Uncollectible Taxes	(487,768)
1240 Due from Other Governments	1,364,108
1290 Other Receivables, net	125
1300 Inventories	7,156
1410 Prepayments	1,729
Capital Assets:	
1510 Land	4,305,444
1520 Buildings, Net	126,881,019
1530 Furniture and Equipment, Net	1,468,679
1000 Total Assets	157,977,163
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	34,455,720
1705 Deferred Outflow Related to TRS	5,128,596
1700 Total Deferred Outflows of Resources	39,584,316
LIABILITIES	
2110 Accounts Payable	1,261,670
2140 Interest Payable	315,158
2150 Payroll Deductions & Withholdings	2,113
2160 Accrued Wages Payable	2,184,929
2180 Due to Other Governments	496,508
2300 Unearned Revenue	417,954
Noncurrent Liabilities	
2501 Due Within One Year	2,470,102
2502 Due in More Than One Year	241,818,286
2540 Net Pension Liability (District's Share)	11,132,392
2000 Total Liabilities	260,099,112
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	828,491
2600 Total Deferred Inflows of Resources	828,491
NET POSITION	
3200 Net Investment in Capital Assets	(32,915,116)
3820 Restricted for Federal and State Programs	803,665
3850 Restricted for Debt Service	4,023,109
3870 Restricted for Campus Activities	404,237
3890 Restricted for Other Purposes	21,801
3900 Unrestricted	(35,703,820)
3000 Total Net Position	\$ (63,366,124)

The notes to the financial statements are an integral part of this statement.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6 Primary Gov. Governmental Activities
		3 Charges for Services	4 Operating Grants and Contributions	
	Expenses			Net (Expense) Revenue and Changes in Net Position
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 35,689,134	\$ 529,813	\$ 4,396,719	\$ (30,762,602)
12 Instructional Resources and Media Services	439,109	-	24,375	(414,734)
13 Curriculum and Staff Development	1,143,571	-	487,680	(655,891)
21 Instructional Leadership	777,660	-	44,863	(732,797)
23 School Leadership	4,146,928	-	306,850	(3,840,078)
31 Guidance, Counseling and Evaluation Services	1,691,124	-	299,268	(1,391,856)
32 Social Work Services	140,351	-	6,635	(133,716)
33 Health Services	602,841	-	45,223	(557,618)
34 Student (Pupil) Transportation	1,209,605	-	-	(1,209,605)
35 Food Services	3,889,507	1,224,412	2,428,767	(236,328)
36 Extracurricular Activities	2,384,228	1,001,227	73,607	(1,309,394)
41 General Administration	2,170,941	-	115,498	(2,055,443)
51 Facilities Maintenance and Operations	6,804,069	98,746	97,457	(6,607,866)
52 Security and Monitoring Services	383,939	-	30,461	(353,478)
53 Data Processing Services	1,485,885	-	8,082	(1,477,803)
61 Community Services	617,985	53,010	38,364	(526,611)
72 Debt Service - Interest on Long Term Debt	8,476,004	-	-	(8,476,004)
73 Debt Service - Bond Issuance Cost and Fees	127,165	-	-	(127,165)
93 Payments related to Shared Services Arrangements	129,004	-	129,004	-
99 Other Intergovernmental Charges	131,968	-	-	(131,968)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 72,441,018	\$ 2,907,208	\$ 8,532,853	(61,000,957)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			16,401,775
DT	Property Taxes, Levied for Debt Service			7,885,468
SF	State Aid - Formula Grants			30,136,897
GC	Grants and Contributions not Restricted			2,329,249
IE	Investment Earnings			65,231
MI	Miscellaneous Local and Intermediate Revenue			572,204
SI	Special Item - Mineral Interests			76,663
TR	Total General Revenues and Special Items			57,467,487
CN	Change in Net Position			(3,533,470)
NB	Net Position - Beginning			(59,832,654)
NE	Net Position--Ending			\$ (63,366,124)

The notes to the financial statements are an integral part of this statement.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 2,424,101	\$ 567,806	\$ 370,869	\$ 3,362,776
1120 Investments - Current	14,933,803	4,037,536	1,113,082	20,084,421
1220 Property Taxes - Delinquent	655,760	271,328	-	927,088
1230 Allowance for Uncollectible Taxes (Credit)	(358,912)	(128,856)	-	(487,768)
1240 Receivables from Other Governments	1,221,449	-	142,659	1,364,108
1290 Other Receivables	80	-	45	125
1300 Inventories	-	-	7,156	7,156
1410 Prepayments	1,729	-	-	1,729
1000 Total Assets	<u>\$ 18,878,010</u>	<u>\$ 4,747,814</u>	<u>\$ 1,633,811</u>	<u>\$ 25,259,635</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 690,241	\$ -	\$ 319,466	\$ 1,009,707
2150 Payroll Deductions and Withholdings Payable	2,113	-	-	2,113
2160 Accrued Wages Payable	2,118,241	-	66,688	2,184,929
2170 Due to Other Funds	189,577	-	-	189,577
2180 Due to Other Governments	229,433	267,075	-	496,508
2300 Unearned Revenues	400,000	-	17,954	417,954
2000 Total Liabilities	<u>3,629,605</u>	<u>267,075</u>	<u>404,108</u>	<u>4,300,788</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	296,848	142,472	-	439,320
2600 Total Deferred Inflows of Resources	<u>296,848</u>	<u>142,472</u>	<u>-</u>	<u>439,320</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3430 Prepaid Items	1,729	-	-	1,729
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	803,665	803,665
3480 Retirement of Long-Term Debt	-	4,338,267	-	4,338,267
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	404,237	404,237
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	1,061,546	-	21,801	1,083,347
3600 Unassigned Fund Balance	13,888,282	-	-	13,888,282
3000 Total Fund Balances	<u>14,951,557</u>	<u>4,338,267</u>	<u>1,229,703</u>	<u>20,519,527</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 18,878,010</u>	<u>\$ 4,747,814</u>	<u>\$ 1,633,811</u>	<u>\$ 25,259,635</u>

The notes to the financial statements are an integral part of this statement.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 20,519,527</b>
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is no change in net position.	-
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$211,896,813 and the accumulated depreciation was (\$75,097,078). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	(75,013,713)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.	5,364,397
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$11,132,392, a deferred resource inflow related to TRS in the amount of \$828,491 and a deferred resource outflow related to TRS in the amount of \$5,128,596. This net effect is to decrease net position.	(6,832,287)
5 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(6,622,698)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(781,350)
<b>19 Net Position of Governmental Activities</b>	<b>\$ (63,366,124)</b>

The notes to the financial statements are an integral part of this statement.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 17,593,476	\$ 7,958,520	\$ 2,193,617	\$ 27,745,613
5800 State Program Revenues	32,302,740	2,106,631	455,626	34,864,997
5900 Federal Program Revenues	240,699	-	4,756,383	4,997,082
5020 Total Revenues	50,136,915	10,065,151	7,405,626	67,607,692
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	28,720,673	-	2,087,144	30,807,817
0012 Instructional Resources and Media Services	308,418	-	-	308,418
0013 Curriculum and Instructional Staff Development	601,605	-	446,954	1,048,559
0021 Instructional Leadership	643,039	-	1,664	644,703
0023 School Leadership	3,568,019	-	-	3,568,019
0031 Guidance, Counseling and Evaluation Services	1,227,645	-	198,482	1,426,127
0032 Social Work Services	116,298	-	-	116,298
0033 Health Services	501,680	-	1,670	503,350
0034 Student (Pupil) Transportation	1,126,218	-	-	1,126,218
0035 Food Services	-	-	3,734,871	3,734,871
0036 Extracurricular Activities	1,313,706	-	866,278	2,179,984
0041 General Administration	1,860,282	-	-	1,860,282
0051 Facilities Maintenance and Operations	5,665,910	-	-	5,665,910
0052 Security and Monitoring Services	363,874	-	-	363,874
0053 Data Processing Services	1,459,445	-	-	1,459,445
0061 Community Services	423,783	-	53,011	476,794
Debt Service:				
0071 Principal on Long Term Debt	415,000	2,471,292	-	2,886,292
0072 Interest on Long Term Debt	118,550	7,640,655	-	7,759,205
0073 Bond Issuance Cost and Fees	22,000	105,165	-	127,165
Capital Outlay:				
0081 Facilities Acquisition and Construction	2,173,123	-	-	2,173,123
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	129,004	129,004
0099 Other Intergovernmental Charges	131,968	-	-	131,968
6030 Total Expenditures	50,761,236	10,217,112	7,519,078	68,497,426
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(624,321)	(151,961)	(113,452)	(889,734)
<b>OTHER FINANCING SOURCES (USES):</b>				
7901 Refunding Bonds Issued	-	2,115,000	-	2,115,000
7914 Non-Current Loans	1,400,000	-	-	1,400,000
7915 Transfers In	99,460	-	-	99,460
7916 Premium or Discount on Issuance of Bonds	-	149,723	-	149,723
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(3,160,852)	-	(3,160,852)
7080 Total Other Financing Sources (Uses)	1,499,460	(896,129)	-	603,331
<b>SPECIAL ITEMS:</b>				
7918 Special Item - Mineral Interests	76,663	-	-	76,663
1200 Net Change in Fund Balances	951,802	(1,048,090)	(113,452)	(209,740)
0100 Fund Balance - September 1 (Beginning)	13,999,755	5,386,357	1,343,155	20,729,267
3000 Fund Balance - August 31 (Ending)	\$ 14,951,557	\$ 4,338,267	\$ 1,229,703	\$ 20,519,527

The notes to the financial statements are an integral part of this 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, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (209,740)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds is reported with governmental activities. The net effect of this consolidation is no change to net position.	-
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to increase net position.	5,364,397
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(6,622,698)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$987,085. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net position totaling \$963,149. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$839,462. The net effect of these adjustments is to decrease the change in net position.	(815,526)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(1,249,903)
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (3,533,470)</u></u>

The notes to the financial statements are an integral part of this statement.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 62,386
Due from Other Funds	<u>189,577</u>
Total Assets	<u>251,963</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>251,963</u>
Total Liabilities	<u>251,963</u>
NET POSITION	
Unrestricted Net Position	<u>-</u>
Total Net Position	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 115,506
Total Operating Revenues	115,506
OPERATING EXPENSES:	
Professional and Contracted Services	16,046
Total Operating Expenses	16,046
Income Before Transfers	99,460
Transfers Out	(99,460)
Change in Net Position	-
Total Net Position - September 1 (Beginning)	-
Total Net Position - August 31 (Ending)	\$ -

The notes to the financial statements are an integral part of this statement.



WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 115,506
Cash Payments for Insurance Claims	(452,044)
Net Cash Used for Operating Activities	<u>(336,538)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	<u>(99,460)</u>
Net Decrease in Cash and Cash Equivalents	(435,998)
Cash and Cash Equivalents at Beginning of Year	<u>498,384</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 62,386</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 99,460
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(189,577)
Increase (decrease) in Accounts Payable	<u>(246,421)</u>
Net Cash Used for Operating Activities	<u><u>\$ (336,538)</u></u>

The notes to the financial statements are an integral part of this statement.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2016

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	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 35,333
Total Assets	<u>\$ 35,333</u>
LIABILITIES	
Due to Student Groups	\$ 35,333
Total Liabilities	<u>\$ 35,333</u>

The notes to the financial statements are an integral part of this statement.

## **I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the White Settlement Independent School District (the “District”) substantially comply with the rules prescribed by the Texas Education Agency (the “Agency”) *Financial Accountability System Resource Guide* (the “Resource Guide”). These accounting policies conform to accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) applicable to governments.

In accordance with the Resource Guide the District has adopted and installed an accounting system which meets the minimum requirements prescribed the State Board of Education and approved by the State Auditor.

The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and it complies with the requirements of the appropriate version of the Resource Guide and the requirements of contracts and grants of agencies from which it receives funds. Specifically, the District’s accounting system uses codes and the code structure as presented in the Resource Guide.

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.

Fair Value - *GASB Statement No. 72, Fair Value Measurement and Application* provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District does not have any investments subject to application of *GASB Statement No. 72, Fair Value Measurement and Application*.

### **A. Reporting Entity**

The District is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Board has responsibility and control over all activities related to public school education within the District. The District receives funds from local, state and federal sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined by GAAP. The Board has decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. The District is not financially accountable for any other organizations; therefore, no component units are included within the reporting entity.

## **B. Basis of Presentation**

The District prepares its financial statements in accordance with reporting practices prescribed by the Agency in the Resource Guide and the Governmental Accounting Standards Board.

## **C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) are prepared using the accrual basis of accounting and the information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, state foundation funds, grants and other intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on charge for services. The District does not have business-type activities.

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. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Certain indirect costs are also included in the program expense reported by individual functions and activities. 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. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The District considers some governmental funds major and reports their financial condition and results of operations in separate columns.

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

The government-wide financial statements are reported on a flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Fiduciary funds do not have a measurement focus as they report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position.

All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. Operating statements of these funds present

increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The accounts of the Governmental Funds are maintained and the financial statements have been prepared on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become measurable and available as net current assets. Substantially all revenues (state, federal and local property tax and interest revenues) are considered to be susceptible to accrual. Revenues from expenditure-driven grants are recognized when the expenditure is incurred. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized as expenditures when due.

Property tax revenues recorded in the General Fund and Debt Service Fund are recognized under the “susceptible to accrual” concept. This District generally considers property taxes as available if they are collected within 60 days of year-end. Property taxes received after the 60-day period are not considered available and, therefore, are recorded as deferred inflow of resources in the Governmental Funds Balance Sheet totaling \$296,848 in the General Fund and \$142,472 in the Debt Service Fund. Grant revenues are recognized when expenditures are made. Charges for services and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available within 60 days of year-end.

Foundation School Program revenues are recognized as revenue when measurable and available within 60 days of year-end.

## **E. Purpose of Funds**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts to reflect results of activities. Major individual governmental funds are reported as separate columns in the fund financial statements. The following funds are used by the District:

### **Major Governmental 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 incurred by programs accounted for in the Special Revenue Funds, Debt Service Fund, Proprietary Fund, and Fiduciary Funds. The General Fund is a budgeted fund, and any fund balances are considered resources for current and future operations.

Debt Service Fund – The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt. Revenues include property taxes collections, 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.

#### **Non-major Governmental Funds**

Special Revenue Funds – These funds are used to account for federal, state and locally financed programs where unused balances are generally returned to the grantor at the close of specified project periods. Proceeds of specific revenue resources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects, are accounted for in a special revenue fund. Project accounting is employed to maintain integrity for the various sources of funds.

The District's Food Service Fund (National Breakfast and Lunch Program) is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Breakfast and Lunch Program, (2) the General Fund subsidizes the Food Service Program for all expenditures in excess of the National Breakfast and Lunch Program, and (3) the District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes. This is a budgeted fund.

Capital Projects Fund – This fund, which is an unbudgeted fund, is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction, renovations, and technology projects/enhancements. The District does not have a Capital Projects Fund.

#### **Proprietary Funds**

Internal Service Funds – These funds are conceived to be self-supporting. Revenues are earned mainly from sales of services to the schools and operating departments of the District. The District uses this fund type to report its workers' compensation activities.

#### **Fiduciary Funds**

Fiduciary Funds – Agency Funds – The Agency Fund is custodial in nature and accounts for activities of student groups and other types of activities requiring clearing accounts. The fund has no equity. Assets are equal to liabilities, and do not include revenues and expenditures for general operations of the District. This accounting reflects the District's agency relationship with student activity organizations. Fiduciary funds use the accrual basis of accounting to recognize assets and liabilities.

#### **F. 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 for the District are reported at fair value.

### **G. Investments**

Investments are recorded at fair value. Investments are considered as and classified as cash equivalents. Investments are primarily in FDIC insured investments, savings accounts and public funds money markets and are not significantly affected by impairment of the credit standing of the issues or other factors.

### **H. Receivables and Payables**

Interfund activities result from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "transfers" line on the government-wide statement of activities. The District did not have any transfers in or transfers out during the current fiscal year. Similarly, interfund receivables and payables are netted and presented as a single "internal balances" line of the government-wide statement of net position.

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.

Other receivables and payables may include amounts due from local, state and federal agencies resulting from excess of expenditures over revenues incurred, accrued liabilities, interest payable, and accrued wages payable.

### **I. 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 fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market 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.

**J. Interfund Activities**

Transactions among governmental funds and between governmental funds and proprietary funds appear as due to/due from other funds on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other financing sources and uses on the Governmental Fund Statement of Revenues, Expenses and Changes in Fund Net Position. Interfund services provided and used are not eliminated in the consolidation of funds for the Statement of Activities.

All interfund transactions that do not represent services provided and used between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from other funds on the government-wide Statement of Net Position.

**K. 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.

**L. 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 estimated fair value at the date of donation.

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

Buildings and improvements, furniture and equipment, and capital lease assets of the District are depreciated using the straight-line method over the following estimated lives:

Asset Classification	Useful Life
Buildings and improvements	20-50
Furniture & equipment	10-15

Land and construction in progress are not depreciable.



### **M. 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 applicable governmental activity. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Deferred loss on refunding, will be recognized as a deferred outflow of resources and amortized to interest expense over the life of the bonds. Bond issuance costs are expensed in the current period.

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.

### **N. 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. A summary of unearned revenues by fund follows:

General Fund:

State revenue – Career & Technology	<u>\$400,000</u>
-------------------------------------	------------------

Special Revenue Funds:

National Breakfast & Lunch Program – state revenue	\$7,156
State Textbook Fund – state revenue	1,685
Liberty After School Program – state revenue	<u>9,113</u>
Total	<u>\$17,954</u>

### **O. Deferred Outflows/Inflow of Resources**

Deferred outflows and inflows of resources are reported in the financial statements as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources – During the current year, the District reported in the government-wide financial statement of net position \$34,455,720 as deferred charges for refunding and \$5,128,596 as deferred outflows related to TRS. The TRS deferred amount results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actuarial experience. The

deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. During the current year, the District had \$5,128,596 deferred outflow related to TRS from implementing GASB 68. This amount consisted of \$4,141,511 for total net amounts per TRS August 31, 2015 measurement date and \$987,085 for contributions paid to TRS subsequent to the measurement date.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District had two items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources \$296,848 and \$142,472 as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.
- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. During the current year the District recorded \$828,491 for total net amounts per TRS August 31, 2015 measurement date as a result of implementing GASB 68.

#### **P. Categories and Classifications of Fund Balance and Net Position**

In accordance with GASB 54 which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

Government-wide Financial Statements – Net position on the Statement of Net Position includes the following:

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

Restricted for federal and state programs – the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

Restricted for debt service – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

Restricted for capital projects – funds that have been assigned for future expenditures for equipment. The District does not have any funds restricted for capital projects.

Restricted for campus activities – funds that have been committed solely for the use by various campuses within the District.

Restricted for other purposes – funds that have been designated by the District to classify locally funded grants.

Unrestricted net position - the difference between the assets and liabilities that are not reported in net investment in capital assets or restricted net position.

Net position flow assumption – Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restrict bond or 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 to be applied.

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Governmental Fund Financial Statements – In the fund financial statements, government funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Non-spendable fund balance – includes fund balance 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.

Spendable fund balance – Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

Restricted fund balance – the component of the spendable fund balance constrained to a specific purpose by a provider, such as 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 fund balance – the component of spendable fund balance constrained to a specific purpose by the Board. A Board resolution is required to establish, modify, or rescind a 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 fund balance – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board of Trustees or by an official or body to which the Board of Trustees delegates. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in

accordance with the nature of their fund type or 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. The General Fund has \$1,061,546 assigned for future expenditures and \$21,801 assigned for Special Revenue Fund - Foundation GAP Awards.

Unassigned fund balance – is 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.

The District does not have a minimum fund balance policy.

Fund balance flow assumptions – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (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.

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds  
For Fiscal Year Ending August 31, 2016

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
Nonspendable Fund Balance				
Prepaid Items	\$ 1,729	\$ 0	\$ 0	\$ 1,729
Restricted Fund Balance				
Nat'l School Breakfast & Lunch Program	0		803,665	803,665
Retirement of long-term debt	0	4,338,267	0	4,338,267
Committed Fund Balance				
Campus Activity Funds	0	0	404,237	404,237
Assigned Fund Balance				
Other Assigned	1,061,546	0	0	1,061,546
Foundation GAP Awards	0	0	21,801	21,801
Unassigned	13,888,282	0	0	13,888,282
Total Fund Balance	<u>\$14,951,557</u>	<u>\$4,338,267</u>	<u>\$1,229,703</u>	<u>\$20,519,527</u>

**Q. Management's 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, 2016 because of the factors that TEA uses in its calculations.

#### **R. Defined Benefit Pension Plan**

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The Teacher Retirement System of Texas (TRS) administers the plan. The fiduciary net position of the TRS 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 reported to the District, deferred outflows of resources and deferred inflows of resources related to pension, 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.

#### **S. 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. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.**

Exhibit C-2 "Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position" provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, the property taxes receivable which is included as unavailable revenue in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts. Also included are all of the adjustments required by GASB 68.

Exhibit C-4 "Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities" provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in

the government-wide statements. This adjustment affects both the net position balance and the change in net position. The debt payments on retirement of debt are recorded as expenditures for fund-basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund-basis financial statements but capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the government-wide statement of activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the unavailable revenues are adjusted based on prior year levies and current year uncollectable amounts. Also included are all of the adjustments required by GASB 68.

### **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. Budgets and Budgetary Accounting**

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 report appears in Exhibit G-1 “Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund” and the other two reports are in Exhibit J-4 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Child Nutrition Program” 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 general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 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.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2016

Exhibit F-1

	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund – Exhibit G-1	\$47,560,676	\$4,271,286	\$51,831,962
Child Nutrition Program – Exhibit J-4	3,483,000	284,833	3,767,833
Debt Service Fund – Exhibit J-5	10,276,169	(58,223)	10,217,946

The General Fund – Major amendments included \$2,269,642 increase in Function 81 – Facilities Acquisition & Construction for authorized construction projects, \$571,974 increase in Function 53 – Data Processing Services for computer maintenance and upgrades, \$554,882 increase in Function 51 – Facilities Maintenance & Operations for unanticipated maintenance expenditures, and an increase of \$190,000 in Debt Service expenditures.

- Each budget is controlled at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

August 31, 2016 Fund Balance	
Appropriated Budgeted Funds – National Breakfast & Lunch Program	\$ 803,665
Non-appropriated Budgeted Funds	426,038
All Special Revenue Funds	<u>\$1,229,703</u>

## B. Excess of Expenditures over Appropriations

The General Fund had excess of expenditures over appropriations as follows:

Data Control Codes	Function	Final Budget Amount	Actual Amounts	Amount Over Appropriations	%
0011	Instruction	\$28,638,437	\$28,720,673	\$(82,236)	0.3

This amount is considered immaterial.

## C. Deficit Fund Equity

There were no deficit fund equities for the year ended August 31, 2016.

## IV. DETAILED NOTES ON ALL FUNDS

### A. Cash and Cash Equivalents

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.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2016

Exhibit F-1

Depository information is as follows:

- Depository bank: BBVA Compass Bank
- Highest combined balance: \$20,022,884
- Date of highest combined balance: January 11, 2016
- Amount of FDIC insurance: \$500,000
- Amount of pledged securities: \$22,000,000 (letter of credit)

Since the District complies with this law, it has no custodial credit risk for deposits. The District's cash and cash equivalents, considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

At August 31, 2016, the carrying value of the District's deposits was \$3,423,832, excluding petty cash of \$1,330, and the bank balance was \$3,800,660. The District's cash deposits at August 31, 2016, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Governmental Funds:	
Petty cash	\$ 1,330
Cash-in-bank	3,361,446
Total cash and cash equivalents	<u>3,362,776</u>
Proprietary Funds:	
Cash-in-bank	62,386
Total Governmental Activities	<u><u>\$3,425,162</u></u>

The District does not have any cash or cash equivalents in foreign currency; therefore, there is no foreign currency risk.

## B. Investments

The District's current investments at August 31, 2016, are shown below:

<u>Investments</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$8,206,575	\$8,206,575	40.4%	On demand
TexStar	6,877,846	6,877,846	35.9%	On demand
Certificate of deposits	5,000,000	4,842,587	23.7%	On demand
Totals	<u>\$20,084,421</u>	<u>\$19,927,008</u>	<u>100.0%</u>	On demand

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.

The fair value of investments in external investment pools is the same as the value of the pool shares. The District reports investment at amortized cost. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, state that investments should be reported at fair value, but provides an exception which applies to all investments of the District. Investments with a remaining maturity at time of purchase of one year or less and investments in an external pool that operates as a “2a7-like” pool may be reported at amortized cost. The external investment pools are not registered with the SEC, but are under the regulatory oversight of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

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, TexStar, and certificate of deposits 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, 2016, 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 and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

**Interest-rate Risk** – This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District’s investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

**Foreign Currency Risk** – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

### C. Property Taxes

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 \$1,465,946,753.

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.

Delinquent taxes 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 within the General and Debt Service Funds are based on historical experience in collecting property taxes.

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of August 31, 2016 are as follows:

	Property Taxes - Delinquent	Allowance for Uncollectible Taxes	Unavailable Revenue – Property Taxes
General Fund	\$655,760	\$(358,912)	\$296,848
Debt Service Fund	271,328	(128,856)	142,472
Totals	<u>\$927,088</u>	<u>\$(487,768)</u>	<u>\$439,320</u>

Current tax collections for the levy year ended August 31, 2016 were 99.1% of the year-end adjusted tax levy.

Uncollectible personal property taxes are periodically reviewed and written off by the District. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The District has an agreement with Tarrant County Tax Office (“County”) whereby the County bills and collects the District’s property taxes.

### D. Disaggregation of Receivables and Payables

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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There are no significant receivables which are not scheduled for collection within one year of August 31, 2016.

**E. Receivables from Other Governments**

Receivables from other governments, as of August 31, 2016, are as follow:

	Due from State
General Fund	\$1,221,449
Special Revenue Funds:	
ESEA I, A – Improving Basic Programs	5,080
IDEA – Part B Formula	10,152
IDEA – Part B Preschool	290
National Breakfast & Lunch Program	80,137
ESEA II, A – Training & Recruiting	35,408
Title III, A – English Language Acquisition	247
State Textbook Fund	9,943
Other State Special Revenue Funds	1,402
Total Special Revenue Funds	142,659
Total all funds	\$1,364,108

**F. 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	\$ 0	\$189,577
Proprietary Fund – Internal Service Fund	189,577	0

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

**G. Interfund Transfers**

Interfund transfers are defined as “flow of assets without equivalent flows of assets in return and without requirement of repayment.” Interfund transfers for the year ended August 31, 2016, were as follows:

The Proprietary Fund – Internal Service Fund transferred its operating income of \$99,460, to the General Fund.

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**H. Other Financing Sources (Uses)**

The District had the following financing sources and (uses) during the year:

General Fund Other Financing Sources (Uses)	
Non-current loans	\$1,400,000
Debt Service Fund Other Financing Sources (Uses)	
Refunding bonds issued	\$ 2,115,000
Premium on issuance of bonds	149,723
Payment to bond refunding escrow agent	(3,160,852)
Total	\$ (896,129)

**I. Special Items/Extraordinary Items**

The District's General Fund received \$76,663 in mineral interest revenue during the fiscal year.

**J. Operating Leases**

The District leases office equipment and automobiles under noncancelable operating leases. Total costs for such leases were \$85,588 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending August 31	Amount
2017	\$192,920
2018	192,920
Thereafter	0

**K. Capital Asset Activity**

Capital asset activity for the year ended August 31, 2016 is as follows:

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,305,444	\$ 0	\$ 0	\$ 4,305,444
Construction in Progress	0	0	0	0
Total Capital Assets, not being depreciated	4,305,444	0	0	4,305,444
Capital assets, being depreciated:				
Buildings and improvements	200,473,521	2,268,024	0	202,741,545
Furniture and equipment	7,117,848	210,081	10,000	7,317,929
Total capital assets, being depreciated	207,591,369	2,478,105	10,000	210,059,474
Less accumulated depreciation for:				
Buildings and improvements	69,657,592	6,202,934	0	75,860,526
Furniture and equipment	5,439,486	419,764	10,000	5,849,250
Total accumulated depreciation	75,097,078	6,622,698	10,000	81,709,776
Governmental activities capital assets, net	\$136,799,735	\$(4,144,593)	\$ 0	\$132,655,142

Major additions to capital assets included baseball and softball renovations and netting of \$1,342,476, Liberty Elementary kitchen renovations of \$561,796 and other renovation/additions to District facilities.

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

**Governmental activities:**

11 – Instruction	\$3,848,385
12 – Instruction Resources & Media Services	119,015
13 – Curriculum & Instructional Staff Development	45,121
21 - Instructional leadership	102,013
23 – School Leadership	410,669
31 – Guidance, Counseling & Evaluation Services	190,294
32 – Social Work Services	20,272
33 – Health Services	76,510
34 – Student (Pupil) Transportation	83,387
35 – Food Services	361,624
36 – Extracurricular Activities	166,752
41 – General Administration	225,606
51 – Plant Maintenance & Operations	797,142
52 – Security & Monitoring Services	31,389
53 – Data Processing Services	22,888
61 – Community Services	121,631
Total Depreciation Expense	<u>\$6,622,698</u>

**L. Long-Term Debt**

Long-term debt of the District is comprised of bonds payable, accreted interest, premium on bonds, maintenance tax notes, and net pension liability. 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. Maintenance tax notes are paid from fund balance and future revenues of the General Fund.

The following is a summary of changes in long-term debt for government activities for the year ended August 31, 2016.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$159,475,818	\$ 2,115,000	\$ 5,556,292	\$156,034,526	\$2,060,102
Accreted interest	43,354,122	2,271,995	1,363,709	44,262,408	0
Premium on bonds	40,506,589	149,723	1,744,858	38,911,454	0
Maintenance tax notes	4,095,000	1,400,000	415,000	5,080,000	410,000
Net pension liability	5,695,856	6,369,060	932,524	11,132,392	0
Total	<u>\$253,127,385</u>	<u>\$12,305,778</u>	<u>\$10,012,383</u>	<u>\$255,420,780</u>	<u>\$2,470,102</u>

**M. Maintenance Tax Notes**

During the current year the District issued a maintenance tax note in the amount of \$1,400,000 for baseball and softball renovations and netting, 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. The outstanding debt liability is accounted for in the government-wide financial statements.

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Issue/Maturity Dates	Interest Rate	Original Amount	Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
Series 2013							
2 013/28	2.38%	\$4,610,000	\$4,095,000	\$ 0	\$280,000	\$3,815,000	\$285,000
Series 2015							
2016/25	2.49%	1,400,000	0	1,400,000	135,000	1,265,000	125,000
		<u>\$6,010,000</u>	<u>\$4,095,000</u>	<u>\$1,400,000</u>	<u>\$415,000</u>	<u>\$5,080,000</u>	<u>\$410,000</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
2017	\$ 410,000	\$118,885	\$ 528,885
2018	425,000	108,890	533,890
2019	435,000	98,572	533,572
2020	440,000	88,011	528,011
2021	455,000	77,271	532,271
2022/2026	2,230,000	216,700	2,446,700
2027/2031	685,000	16,362	701,362
Totals	<u>\$5,080,000</u>	<u>\$724,691</u>	<u>\$5,804,691</u>

The District paid \$118,550 in interest expense during the year.

#### N. Bonds Payable

During the current fiscal year, the District issued \$2,115, 000 in Unlimited Tax Refunding Bonds, Series 2016, with an average interest rate of 2.1% to refund a portion of the District's Unlimited Tax School Building and Refunding Bonds, Series 2007, with an average interest rate of 4.8%. The combined net proceeds of \$3,158,734, after paying underwriter's premium or discount and cost of issuance of \$105,989, were used to purchase U.S government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the previously identified refunded bonds are considered defeased and the liability for those bonds removed has been removed from the statement of net position. The District in effect decreased its aggregate debt service payments by \$2,245,000 over 22 years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$610,000.

Bonded indebtedness of the District is reflected in the statement of net position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in the fund financial statements.

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A summary of changes in general obligation bonds for the year ended August 31, 2016, are as follows:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
Series 2003 ULB Bonds /2033	3.125%/ 5.9%	\$20,883,645	\$2,669,134	\$ 0	\$ 0	\$2,669,134	\$ 0
Series 2007 USB&R Bonds /2045	3.9%/ 4.75%	35,432,938	5,800,915	0	4,552,684	1,248,231	1,248,231
Series 2011 UTR Bonds/2034	3.54%/ 6.0%	8,328,990	8,107,043	0	94,231	8,012,812	83,739
Series 2012 UTR Bonds/2031	0.3%/ 3.61%	30,574,884	30,249,884	0	0	30,249,884	643,132
Series 2013 UTR Bonds/2045	2.0%/ 5.0%	40,160,142	40,160,142	0	0	40,160,142	0
Series 2014 UTR Bonds/2045	0.6%/ 5.0%	49,374,874	49,374,874	0	684,377	48,690,497	0
Series 2015A UTR Bonds/2037	2.0%/ 5.0%	16,155,000	15,900,000	0	80,000	15,820,000	0
Series 2015B UTR Bonds/2041	2.00%/ 4.59%	7,268,826	7,213,826	0	90,000	7,123,826	0
Series 2016 UTR Bonds/2032	2.0%/ 3.0%	2,115,000	0	2,115,000	55,000	2,060,000	85,000
Totals			\$159,475,818	\$2,115,000	\$5,556,292	\$156,034,526	\$2,060,102

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
2017	\$ 2,060,102	\$ 8,282,262	\$ 10,342,364
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
2022-2026	17,568,817	40,259,339	57,828,156
2027-2031	28,979,943	34,132,532	63,112,475
2032-2036	20,777,526	45,057,183	65,834,709
2037-2041	21,138,277	52,120,124	73,258,401
2042-2046	56,695,000	6,404,250	63,099,250
Totals	\$156,034,526	\$220,097,734	\$376,132,260

Interest and fees paid on general obligation bonds during the year was \$7,745,820.

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, 2016.

#### O. Prior Year Deafesance of Debt

In prior years and during the current year, 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

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the District's financial statements. On August 31, 2016, \$102,973,382 of bonds considered defeased are still outstanding.

**P. Revenue from Local and Intermediate Sources**

During the current year local and intermediate revenues consisted of the following:

	General Fund	Debt Service Fund	Other Funds	Fund Totals
Property taxes	\$16,427,338	\$7,896,530	\$0	\$24,323,868
Food sales	0	0	1,224,413	1,224,413
Penalties, interest & other tax related income	328,714	39,513	0	368,227
Tuition & fees	423,588	0	0	423,588
Earnings – temporary deposits & investments	38,355	22,477	4,399	65,231
Rent	98,746	0	0	98,746
Insurance recovery	81,078	0	0	81,078
Other revenues from local sources	56,299	0	13,089	69,388
Ex/cocurricular activities	139,358	0	861,868	1,001,226
Miscellaneous revenues	0	0	89,848	89,848
Total	<u>\$17,593,476</u>	<u>\$7,958,520</u>	<u>\$2,193,617</u>	<u>\$27,745,613</u>

**Q. State Aid Revenue**

The District receives state revenues from TEA based upon application of formula allocations, on behalf allocations, and other state miscellaneous programs. The components of state program revenues as shown in the governmental fund financial statements are as follows:

	General Fund	Debt Service Fund	Other Funds	Totals
Per Capita Apportionment	\$ 1,136,330	\$ 0	\$ 0	\$ 1,136,330
Found. School Prg. Act Entitlements	29,000,567	0	0	29,000,567
State Program Revenues	14,170	2,106,631	423,551	2,544,352
TRS On-behalf Payments	2,022,673	0	32,075	2,054,748
TRS Medicare Part-D	129,000	0	0	129,000
Totals	<u>\$32,302,740</u>	<u>\$2,106,631</u>	<u>\$455,626</u>	<u>\$34,864,997</u>

**R. Federal Program Revenues**

The District receives federal program revenues for various programs as follows:

Revenues	General Fund	Other Funds
School Health & Related Services (SHARS)	\$223,767	\$ 0
Medicaid Administrative Claiming Program (MAC)	16,932	0
U. S. Department of Education – Passed Through	0	2,428,900
U. S. Department of Agriculture – Passed Through	0	2,327,483
Totals	<u>\$240,699</u>	<u>\$4,756,383</u>



## S. Employee Benefits

### 1. 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.

### 2. 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. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

Net Pension Liability	Total
Total Pension Liability	\$163,887,375,172
Less: Plan Fiduciary Net Position	(128,538,706,212)
Net Pension Liability	\$ 35,348,668,960
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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District – 2016 Employer Contributions		\$ 987,085
District – 2016 Member Contributions		\$2,439,190
District - 2015 NECE On-behalf Contributions		\$1,690,288

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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, 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 including public 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.

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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.0%
Long-term expected Investment Rate of Return	8.0%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.0%
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, 2015, are summarized below:

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

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$17,442,360	\$11,132,392	\$5,876,581

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At August 31, 2016, the District reported a liability of \$11,132,392 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:

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Exhibit F-1

District's Proportionate share of the collective net pension liability	\$11,132,392
State's proportionate share that is associated with District	20,172,521
Total	<u>\$31,304,913</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015, the employer's proportion of the collective net pension liability was 0.031431% which was an increase of 0.0101694% from its proportion measured as of August 31, 2014.

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

*Economic Assumptions*

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

*Mortality Assumptions*

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

*Other Demographic Assumptions*

8. Previously it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also

changed from the middle of the year to the beginning to match the actual pattern in the data.

10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

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

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

For the measurement period August 31, 2015, the District recognized pension expense of \$2,874,260 and revenue of \$2,874,260 for support provided by the State.

At August 31, 2015, 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	\$ 73,260	\$427,828
Changes in actuarial assumptions	307,914	397,155
Difference between projected and actual investment earnings	1,435,996	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,324,341	3,508
Totals as of August 31, 2015 measurement date	\$4,141,511	\$828,491
Contributions paid to TRS subsequent to the measurement date	987,085	0
Total	<u>\$5,128,596</u>	<u>\$828,491</u>

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

Year ended August 31:	Pension Expense Amount
2017	\$ 580,713
2018	580,713
2019	580,715
2020	1,015,935
2021	325,952
Thereafter	228,992

### 3. 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](http://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 2014, 2015 and 2016. 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, 2016, 2015 and 2014 are as follows:

	Contribution Amounts		
	2016	2015	2014
District Contributions	\$186,327	\$178,837	\$181,320
State Contributions	338,777	325,157	329,672
Employee Contributions	220,208	211,354	214,286

### 4. 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. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on-behalf of the District were \$129,000, \$130,865, and \$85,340, respectively. The information for the year ended August 31, 2016 is an estimate provided by the Teachers Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

## 5. 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 ActiveCare. That report may be obtained by visiting the TRS Website at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing the Communications Department of the Texas Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

## 6. Self-insured Workers' Compensation Program

In prior years, the District entered into a self-funded workers' compensation program with the Texas Educational Insurance Association with claims being administered by Claims Administrative Services, Inc. Projected discounted liability as of August 31, 2016, is \$251,963. The District does not purchase aggregate excess insurance.

The accrued liability of Workers' Compensation self-insurance of \$251,963 includes incurred but not reported claims. This liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it's probable that a liability has incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. 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:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2012 - Workers' Compensation	\$480,973	\$ 88,940	\$277,549	\$292,364
2013 - Workers' Compensation	292,364	91,714	122,414	261,664
2014 - Workers' Compensation	261,664	186,023	94,204	353,483
2015 - Workers' Compensation	353,483	195,177	182,995	365,665
2016 - Workers' Compensation	365,665	(5,408)	108,294	251,963



## **T. Commitments and Contingencies**

### **1. 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 Food Service under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the United States Department of Agriculture ("USDA"). 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.

### **2. Litigation**

The District is not a party in any litigation.

## **U. 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.

## **V. Evaluation of Subsequent Events**

The District has evaluated subsequent events through November 30, 2016 the date which the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-1

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 17,131,100	\$ 17,424,900	\$ 17,593,476	\$ 168,576
5800	State Program Revenues	29,927,076	31,562,346	32,302,740	740,394
5900	Federal Program Revenues	2,500	116,500	240,699	124,199
5020	Total Revenues	47,060,676	49,103,746	50,136,915	1,033,169
EXPENDITURES:					
Current:					
0011	Instruction	28,017,604	28,638,437	28,720,673	(82,236)
0012	Instructional Resources and Media Services	252,723	316,682	308,418	8,264
0013	Curriculum and Instructional Staff Development	632,825	603,229	601,605	1,624
0021	Instructional Leadership	602,576	657,017	643,039	13,978
0023	School Leadership	3,397,594	3,558,166	3,568,019	(9,853)
0031	Guidance, Counseling and Evaluation Services	1,299,980	1,224,615	1,227,645	(3,030)
0032	Social Work Services	112,616	112,616	116,298	(3,682)
0033	Health Services	552,570	529,570	501,680	27,890
0034	Student (Pupil) Transportation	1,186,330	1,232,640	1,126,218	106,422
0036	Extracurricular Activities	1,290,444	1,329,817	1,313,706	16,111
0041	General Administration	2,023,519	1,911,147	1,860,282	50,865
0051	Facilities Maintenance and Operations	5,438,570	5,993,452	5,665,910	327,542
0052	Security and Monitoring Services	354,270	377,159	363,874	13,285
0053	Data Processing Services	1,368,489	1,940,463	1,459,445	481,018
0061	Community Services	450,566	436,310	423,783	12,527
Debt Service:					
0071	Principal on Long Term Debt	280,000	415,000	415,000	-
0072	Interest on Long Term Debt	90,000	123,000	118,550	4,450
0073	Bond Issuance Cost and Fees	-	22,000	22,000	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	2,269,642	2,173,123	96,519
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	50,000	-	-	-
0099	Other Intergovernmental Charges	160,000	141,000	131,968	9,032
6030	Total Expenditures	47,560,676	51,831,962	50,761,236	1,070,726
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(500,000)	(2,728,216)	(624,321)	2,103,895
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans	-	1,400,000	1,400,000	-
7915	Transfers In	-	-	99,460	99,460
7080	Total Other Financing Sources (Uses)	-	1,400,000	1,499,460	99,460
SPECIAL ITEMS:					
7918	Special Item - Mineral Interests	-	-	76,663	76,663
1200	Net Change in Fund Balances	(500,000)	(1,328,216)	951,802	2,280,018
0100	Fund Balance - September 1 (Beginning)	13,999,755	13,999,755	13,999,755	-
3000	Fund Balance - August 31 (Ending)	\$ 13,499,755	\$ 12,671,539	\$ 14,951,557	\$ 2,280,018

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-6

	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0314931%	0.0213237%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 11,132,392	\$ 5,695,856
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	20,172,521	18,279,451
Total	<u>\$ 31,304,913</u>	<u>\$ 23,975,307</u>
District's Covered-Employee Payroll	\$ 32,515,707	\$ 32,967,207
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	34.24%	17.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2016

EXHIBIT G-7

	2016	2015
Contractually Required Contribution	\$ 987,085	\$ 963,149
Contribution in Relation to the Contractually Required Contribution	(987,085)	(963,149)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 33,877,660	\$ 32,515,707
Contributions as a Percentage of Covered-Employee Payroll	2.91%	2.96%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

COMBINING SCHEDULES

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2016

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
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (5,080)	\$ (10,152)	\$ (290)	\$ 225,403
1120	Investments - Current	-	-	-	884,234
1240	Receivables from Other Governments	5,080	10,152	290	80,137
1290	Other Receivables	-	-	-	45
1300	Inventories	-	-	-	7,156
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,196,975</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 319,466
2160	Accrued Wages Payable	-	-	-	66,688
2300	Unearned Revenues	-	-	-	7,156
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>393,310</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	803,665
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>803,665</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,196,975</u>

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
\$ -	\$ (35,408)	\$ (247)	\$ -	\$ -	\$ (8,258)	\$ -	\$ (1,402)
-	-	-	-	-	-	-	-
-	35,408	247	-	-	9,943	-	1,402
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,685</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	1,685	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,685</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,685</u>	<u>\$ -</u>	<u>\$ -</u>



WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

Data Control Codes		461 Campus Activity Funds	482 Liberty After School Program	486 Foundation GAP Awards	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 175,389	\$ 9,113	\$ 21,801	\$ 370,869
1120	Investments - Current	228,848	-	-	1,113,082
1240	Receivables from Other Governments	-	-	-	142,659
1290	Other Receivables	-	-	-	45
1300	Inventories	-	-	-	7,156
1000	Total Assets	<u>\$ 404,237</u>	<u>\$ 9,113</u>	<u>\$ 21,801</u>	<u>\$ 1,633,811</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 319,466
2160	Accrued Wages Payable	-	-	-	66,688
2300	Unearned Revenues	-	9,113	-	17,954
2000	Total Liabilities	<u>-</u>	<u>9,113</u>	<u>-</u>	<u>404,108</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	803,665
Committed Fund Balance:					
3545	Other Committed Fund Balance	404,237	-	-	404,237
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	21,801	21,801
3000	Total Fund Balances	<u>404,237</u>	<u>-</u>	<u>21,801</u>	<u>1,229,703</u>
4000	Total Liabilities and Fund Balances	<u>\$ 404,237</u>	<u>\$ 9,113</u>	<u>\$ 21,801</u>	<u>\$ 1,633,811</u>

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WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

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
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 1,240,477
5800	State Program Revenues	-	-	-	52,511
5900	Federal Program Revenues	938,680	1,162,405	63,153	2,327,483
5020	Total Revenues	938,680	1,162,405	63,153	3,620,471
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	562,280	833,555	63,153	-
0013	Curriculum and Instructional Staff Development	373,066	1,364	-	-
0021	Instructional Leadership	1,664	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	198,482	-	-
0033	Health Services	1,670	-	-	-
0035	Food Services	-	-	-	3,734,871
0036	Extracurricular Activities	-	-	-	-
0061	Community Services	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	129,004	-	-
6030	Total Expenditures	938,680	1,162,405	63,153	3,734,871
1200	Net Change in Fund Balance	-	-	-	(114,400)
0100	Fund Balance - September 1 (Beginning)	-	-	-	918,065
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 803,665

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,011	\$ -
-	-	-	-	2,700	393,835	-	1,469
4,925	187,057	69,341	3,339	-	-	-	-
4,925	187,057	69,341	3,339	2,700	393,835	53,011	1,469
4,925	114,533	69,341	3,339	2,700	393,835	-	1,469
-	72,524	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	53,011	-
-	-	-	-	-	-	-	-
4,925	187,057	69,341	3,339	2,700	393,835	53,011	1,469
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		461 Campus Activity Funds	482 Liberty After School Program	486 Foundation GAP Awards	Total Nonmajor Governmental Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 863,292	\$ -	\$ 36,837	\$ 2,193,617
5800	State Program Revenues	-	5,111	-	455,626
5900	Federal Program Revenues	-	-	-	4,756,383
5020	Total Revenues	<u>863,292</u>	<u>5,111</u>	<u>36,837</u>	<u>7,405,626</u>
EXPENDITURES:					
Current:					
0011	Instruction	-	5,111	32,903	2,087,144
0013	Curriculum and Instructional Staff Development	-	-	-	446,954
0021	Instructional Leadership	-	-	-	1,664
0031	Guidance, Counseling and Evaluation Services	-	-	-	198,482
0033	Health Services	-	-	-	1,670
0035	Food Services	-	-	-	3,734,871
0036	Extracurricular Activities	866,278	-	-	866,278
0061	Community Services	-	-	-	53,011
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	129,004
6030	Total Expenditures	<u>866,278</u>	<u>5,111</u>	<u>32,903</u>	<u>7,519,078</u>
1200	Net Change in Fund Balance	(2,986)	-	3,934	(113,452)
0100	Fund Balance - September 1 (Beginning)	<u>407,223</u>	<u>-</u>	<u>17,867</u>	<u>1,343,155</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 404,237</u>	<u>\$ -</u>	<u>\$ 21,801</u>	<u>\$ 1,229,703</u>

## **REQUIRED TEXAS EDUCATION AGENCY SCHEDULES**

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.426000	1,280,767,190
2009	1.040000	0.458400	1,330,129,732
2010	1.040000	0.500000	1,587,446,887
2011	1.040000	0.500000	1,442,831,364
2012	1.040000	0.500000	1,518,036,104
2013	1.040000	0.500000	1,654,544,805
2014	1.040000	0.500000	1,475,635,974
2015	1.040000	0.500000	1,581,388,247
2016 (School year under audit)	1.040000	0.500000	1,465,946,753
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 313,332	\$ -	\$ 10,153	\$ 2,949	\$ (20,917)	\$ 279,313
34,597	-	1,545	633	(1,836)	30,583
49,929	-	3,476	1,532	(1,012)	43,909
53,173	-	622	299	(1,293)	50,959
47,759	-	2,122	1,020	(793)	43,824
37,516	-	3,747	1,801	(1,389)	30,579
68,324	-	3,295	1,585	(4,151)	59,293
93,891	-	14,549	6,995	(764)	71,583
262,737	-	75,754	36,420	(59,365)	91,198
-	22,575,580	16,307,726	7,840,253	1,798,246	225,847
<u>\$ 961,258</u>	<u>\$ 22,575,580</u>	<u>\$ 16,422,989</u>	<u>\$ 7,893,487</u>	<u>\$ 1,706,726</u>	<u>\$ 927,088</u>



WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,103,000	\$ 1,178,400	\$ 1,240,477	\$ 62,077
5800 State Program Revenues	55,000	55,000	52,511	(2,489)
5900 Federal Program Revenues	2,325,000	2,227,000	2,327,483	100,483
5020 Total Revenues	3,483,000	3,460,400	3,620,471	160,071
EXPENDITURES:				
0035 Food Services	3,483,000	3,767,833	3,734,871	32,962
6030 Total Expenditures	3,483,000	3,767,833	3,734,871	32,962
1200 Net Change in Fund Balances	-	(307,433)	(114,400)	193,033
0100 Fund Balance - September 1 (Beginning)	918,065	918,065	918,065	-
3000 Fund Balance - August 31 (Ending)	\$ 918,065	\$ 610,632	\$ 803,665	\$ 193,033

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, 2016

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 7,822,000	\$ 7,919,000	\$ 7,958,520	\$ 39,520
5800	State Program Revenues	1,884,164	2,022,512	2,106,631	84,119
5020	Total Revenues	9,706,164	9,941,512	10,065,151	123,639
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,486,292	2,471,292	2,471,292	-
0072	Interest on Long Term Debt	7,781,877	7,640,657	7,640,655	2
0073	Bond Issuance Cost and Fees	8,000	105,997	105,165	832
6030	Total Expenditures	10,276,169	10,217,946	10,217,112	834
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(570,005)	(276,434)	(151,961)	124,473
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	2,115,000	2,115,000	-
7916	Premium or Discount on Issuance of Bonds	-	149,723	149,723	-
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(3,160,852)	(3,160,852)	-
7080	Total Other Financing Sources (Uses)	-	(896,129)	(896,129)	-
1200	Net Change in Fund Balances	(570,005)	(1,172,563)	(1,048,090)	124,473
0100	Fund Balance - September 1 (Beginning)	5,386,357	5,386,357	5,386,357	-
3000	Fund Balance - August 31 (Ending)	\$ 4,816,352	\$ 4,213,794	\$ 4,338,267	\$ 124,473

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REPORT ON INTERNAL CONTROLS, COMPLIANCE  
AND FEDERAL AWARDS

# KIRK, RICHARDSON & POOLE, P. C.

## Certified Public Accountants

<b>Tom Kirk, CPA</b>	<b>Don Richardson, CPA</b>	<b>Cindy Poole, CPA</b>
<b>7559 John T. White Road</b>	<b>P. O. Box 8342</b>	<b>Fort Worth, Texas 76124</b>
<b>(817) 451-7406</b>	<b>www.krp-cpa.com</b>	<b>Fax (817) 451-7597</b>

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

Board of Trustees  
White Settlement Independent School District  
401 S. Cherry Lane  
White Settlement, Texas 76108

Members of the Board of Trustees:

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 (the "District") as of and for the year ended August 31, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2016.

#### **Internal Control over Financial Reports**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 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 Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kirk, Richardson & Poole, P.C.*

Kirk, Richardson & Poole, P. C.  
Fort Worth, Texas  
November 30, 2016

# KIRK, RICHARDSON & POOLE, P. C.

## Certified Public Accountants

Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
7559 John T. White Road	P. O. Box 8342	Fort Worth, Texas 76124
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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees  
White Settlement Independent School District  
401 S. Cherry Lane  
White Settlement, Texas 76108

Members of the Board of Trustees:

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

We have audited the White Settlement Independent School District (the "District") compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

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

#### Auditor's Responsibility

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

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control of 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.

*Kirk, Richardson & Poole, P.C.*

Kirk, Richardson & Poole, P.C.  
Fort Worth, Texas  
November 30, 2016



WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2016

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Audit Requirements for Federal Awards</i> (Uniform Guidance).	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA – Part B, Formula
84.173	IDEA – Part B, Preschool

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

Auditee qualified as low risk auditee?: Yes

**Section II – Financial Statement Findings**

None.

**Section III – Federal Award Findings and Questioned Costs**

None.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2016

PRIOR YEAR'S FINDING/NONCOMPLIANCE: None

STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE: None required.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2016

Contact: Janette Owens, Director of Business

None required.

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101220920	\$ 64,997
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101220920	873,683
Total CFDA Number 84.010A			938,680
*IDEA - Part B, Formula	84.027	15660001220920	105,992
*IDEA - Part B, Formula	84.027	16660001220920	1,056,413
Total CFDA Number 84.027			1,162,405
*IDEA - Part B, Preschool	84.173	15661001220920	2,798
*IDEA - Part B, Preschool	84.173	16661001220920	60,355
Total CFDA Number 84.173			63,153
Total Special Education Cluster (IDEA)			1,225,558
Career and Technical - Basic Grant	84.048	16420006220920	4,925
Title III, Part A - English Language Acquisition	84.365A	16671001220920	69,341
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501220920	5,640
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501220920	181,418
Total CFDA Number 84.367A			187,058
Summer School LEP	84.369	69551502	3,339
Total Passed Through State Department of Education			\$ 2,428,901
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ 2,428,901</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 16,932
Total Passed Through Texas Dept of Human Services			\$ 16,932
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 16,932</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 372,448
*National School Lunch Program - Cash Assistance	10.555		1,703,082
*National School Lunch Prog. - Non-Cash Assistance	10.555		251,953
Total CFDA Number 10.555			1,955,035
Total Child Nutrition Cluster			2,327,483
Total Passed Through the State Department of Agriculture			\$ 2,327,483
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>\$ 2,327,483</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 4,773,316</b>

\*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

WHITE SETTLEMENT INDEPENDENT SCHOOL DISTRICT  
*NOTES TO SCHEDULE OF EXPENDITURES TO FEDERAL AWARDS*  
 AUGUST 31, 2016

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is account for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in special revenue funds, which are governmental fund types. With this measurement focus, only current assets, current liabilities and fund balance are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

3. The period of availability for federal grant programs for the purpose of liquidations of outstanding obligations made on or before the ending date of the federal project extended 30 days beyond the federal project period ending date.
4. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable may be impaired.
5. The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Total federal sources per financial statements for Governmental Funds	\$4,997,082
School Health & Related Services (SHARS) reimbursement not reported	
In the Schedule of Expenditures of Federal Awards	(223,764)
Rounding	(2)
Total federal expenditures on Schedule of Expenditures of Federal Awards	<u>\$4,773,316</u>