

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

November 5, 2018

Board of School Trustees
Wink-Loving Independent School District
Wink, Texas

We have audited the financial statements of Wink-Loving Independent School District for the year ended August 31, 2018, and have issued our report thereon dated November 5, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*

As stated in our engagement letter dated March 28, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered Wink-Loving Independent School District's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also performed tests of Wink-Loving Independent School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management's discussion and analysis, budgetary comparison schedule, net pension liability information, and net other post-employment benefit (OPEB) liability information, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we did not express an opinion or provide any assurance on the RSI.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and meetings about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Wink-Loving Independent School District are described in the notes to the financial statements. The District has adopted a new policy for *Governmental Accounting Standards Board Statement 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* during the year ended August 31, 2018.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was depreciation. Management's estimate of the depreciation is based on industry accepted guidelines. We evaluated the key factors and assumptions used to develop the accumulated depreciation and depreciation expense at the government-wide level in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Attached is a list of all adjusting entries made as part of the audit. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison schedule, and net pension and OPEB liability information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of School Trustees and management of Wink-Loving Independent School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

CERTIFICATE OF BOARD

Wink-Loving Independent School District
Name of School District

Winkler
County

248-902
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2018, at a meeting of the Board of Trustees of such school district on the 12th day of November, 2018.

Grace Harrison
Signature of Board Secretary

[Signature]
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)

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423

Mr. Scotty Carman
Wink-Loving Independent School District
Wink, Texas

In planning and performing our audit of the financial statements of Wink-Loving Independent School District (the District) as of and for the year ended August 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated November 5, 2018, on the financial statements of Wink-Loving Independent School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendation. Our comments are summarized as follows:

To stay in compliance with state regulations, the District must expend certain percentages of state-mandated program revenue received. Those percentages are as follows: Gifted & Talented 55%; Career & Technology 58%; Special Education 52%; State Compensatory Education 52%; and Bilingual Education 52%. With the exception of Special Education, the District failed to expend the required percentage of these funds received for the fiscal year ending August 31, 2018. The state allows the use of a 3-year average to meet this requirement. The Gifted & Talented program still did not meet the required percentage using this average. We recommend keeping track of these funds received and put policies and procedures into place to make sure the District is utilizing the funds appropriately

This communication is intended solely for the information and use of management of Wink-Loving Independent School District, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

November 5, 2018

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

WINK-LOVING INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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WINK-LOVING INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
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Independent Auditor's Report

UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Wink-Loving Independent School District
Wink, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wink-Loving Independent School District (the District), as of and for the year ended August 31, 2018, and 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 Wink-Loving Independent School District, as of August 31, 2018, and the respective changes in financial position and, where applicable, the cash flows thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11, budgetary comparison information on page 52, and net pension and other post-employment benefit (OPEB) liability information on pages 53-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wink-Loving Independent School District's basic financial statements. The other supplementary information comprised of combining balance sheets and statements of revenues, expenditures and changes in fund balance for all non-major governmental funds, combining statement of revenues, expenses and changes in net position and combining statement of cash flow for all proprietary funds, and required Texas Education Agency (TEA) schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wink-Loving Independent School District's internal control over financial reporting and compliance.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

November 5, 2018

WINK-LOVING INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the Wink-Loving Independent School District's (the District) financial performance provides an overview of the District's financial performance for the year ended August 31, 2018. It should be read in conjunction with the District's Basic Financial Statements and Independent Auditor's Report.

The Management's Discussion and Analysis (MD&A) is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

FINANCIAL HIGHLIGHTS

- The net position of the District increased by \$11,657,590. The District's Statement of Activities shows total revenues, net of loss on impairment, of \$37,759,179, and expenses totaled \$26,101,589.
- The District ended the year, August 31, 2018, with total net position of \$41,931,307, including unrestricted net position of \$11,620,974. The balance of cash and investments at August 31, 2018, was \$27,198,517.
- During the year ended August 31, 2018, GASB 75 was implemented which resulted in a prior period adjustment of (\$3,094,402) to record the Other Post-Employment Benefit (OPEB) liability based on the August 31, 2016 valuation. There were changes in assumptions that decreased this OPEB liability for the August 31, 2017 valuation recorded which caused a large increase in net position for the year ended August 31, 2018.
- Total government-wide expenses were \$26,101,589 for the year ended August 31, 2018. This compares with expenses of \$20,691,347 for the year ended August 31, 2017.
- The District's total revenues on the Statement of Activities increased from \$25,975,545 in 2016-17 to \$37,759,179 in 2017-18.
- The District made principal payments on bonds of \$2,505,000 during the year ended August 31, 2018. Bonds payable at August 31, 2018 total \$15,845,000. This compares to a balance of \$18,350,000 in 2017.
- Total general fund expenditures were \$25,909,605 for the year ended August 31, 2018. This compares with general fund expenditures of \$18,041,704 for the year ended August 31, 2017. This net increase is due to increases in recapture payments, salaries, and facilities acquisition expenditures.
- The District's general fund balance increased by \$4,576,805 during 2017-18.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these 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. For proprietary activities, fund financial statements tell how the services of the District were sold to departments within the District. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.

The combining statements for non-major funds contain information about the District's individual non-major funds. The sections labeled TEA Required Schedules contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

Government-Wide Financial Statements

The analysis of the District's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business-type activities or component units as defined in the GASB Statement No. 34.

- Governmental activities – All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education through TEA. The District's administration establishes many other funds to help it control and manage money for particular purposes.

The District's three fund types – governmental, proprietary and fiduciary – use different accounting approaches.

- Governmental funds – Most of the District's basic services are included in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following the fund financial statements.
- Proprietary funds – The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service funds (the District's only category of proprietary funds) report activities that provide worker's compensation insurance coverage to the District's other programs and activities.
- Fiduciary funds – The District is the trustee, or fiduciary, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

In the tables below, the amounts presented for August 31, 2018 have been restated to reflect the adoption of GASB 75 and record the OPEB liability at that point in time. The District's net position increased during the year ended August 31, 2018, by \$11,657,590 mainly due to assumption changes in the valuation of the OPEB liability (see Table II). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased \$5,129,586 from 6,491,388 in 2017 to \$11,620,974 in 2018.

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Table I
Wink-Loving Independent School District
Net Position

	August 31,	
	2018	2017
Cash and Temporary Investments	\$ 27,198,517	\$ 17,469,602
Receivables and Other Current Assets	2,322,160	1,772,387
Capital Assets, Net of Accumulated Depreciation	34,192,636	35,775,801
Total Assets	\$ 63,713,313	\$ 55,017,790
Deferred Outflows of Resources	\$ 417,687	\$ 543,508
Current Liabilities	\$ 1,927,769	\$ 525,383
Unearned Revenues	18,612	1,032,337
Long-Term Liabilities	19,252,512	23,555,282
Total Liabilities	\$ 21,198,893	\$ 25,113,002
Deferred Inflows of Resources	\$ 1,000,800	\$ 174,579
Net Position		
Net Investment in Capital Assets	\$ 17,733,764	\$ 16,508,945
Restricted for Debt Service	12,576,569	7,273,384
Unrestricted Net Position	11,620,974	6,491,388
Total Net Position	\$ 41,931,307	\$ 30,273,717

Table II
Wink-Loving Independent School District
Changes in Net Position

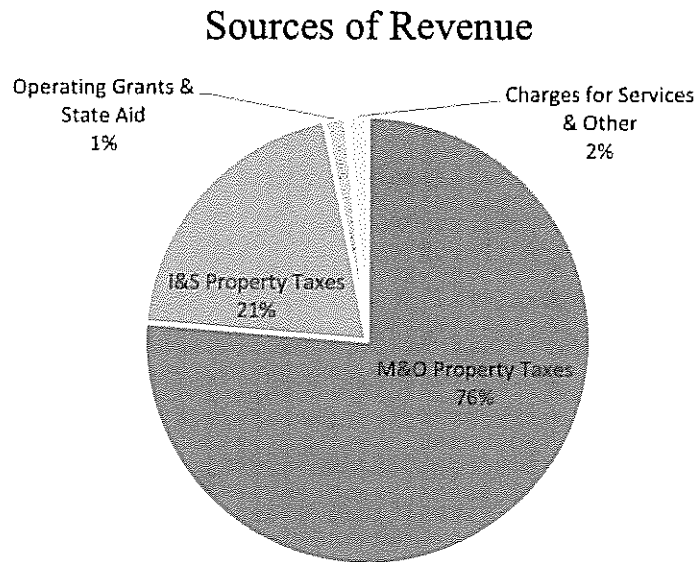
	August 31,	
	2018	2017
Revenues:		
Program Revenues:		
Charges For Services	\$ 157,804	\$ 139,291
Operating Grants and Contributions	(711,248)	513,673
General Revenues:		
Maintenance and Operations Taxes	29,157,255	18,008,496
Debt Service Taxes	7,865,670	4,857,344
State Aid - Formula Grants	1,290,267	2,198,258
Investment Earnings	455,465	130,589
Miscellaneous	16,777	127,894
Loss on Impairment	(472,811)	
Total Revenues	<u>\$ 37,759,179</u>	<u>\$ 25,975,545</u>
Expenses:		
Instruction	\$ 3,536,383	\$ 4,415,978
Instructional Resources and Media Services	40,672	93,462
Curriculum and Instructional Staff Development	34,058	45,104
School Leadership	339,041	535,059
Guidance, Counseling, and Evaluation Services	72,112	88,368
Health Services	57,644	77,700
Student Transportation	213,142	167,154
Food Services	348,405	498,113
Co-Curricular / Extracurricular Activities	768,726	761,131
General Administration	701,572	935,616
Plant Maintenance and Operations	1,184,162	1,551,394
Debt Service - Interest and Fees	264,016	356,315
Contracted Instructional Services Between Schools	17,931,869	10,691,915
Payments to Shared Service Arrangements	115,809	110,478
Other Intergovernmental Charges	493,978	363,560
Total Expenses	<u>\$ 26,101,589</u>	<u>\$ 20,691,347</u>
Increase in Net Position	<u>\$ 11,657,590</u>	<u>\$ 5,284,198</u>

The District's total revenues increased from fiscal year 2017 to fiscal year 2018 by \$11,783,634. The total expenses of the District increased by \$5,410,242. The main cause of the increase in revenue and expenses is the property tax revenue increase and associated recapture expense increase. In addition, the change in OPEB assumptions decreased expenses by \$690,788. In addition this assumption change impacted the calculation of the state's on-behalf associated with TRS Active Care which affected both revenues and expenses by a decrease of about \$1,032,947.

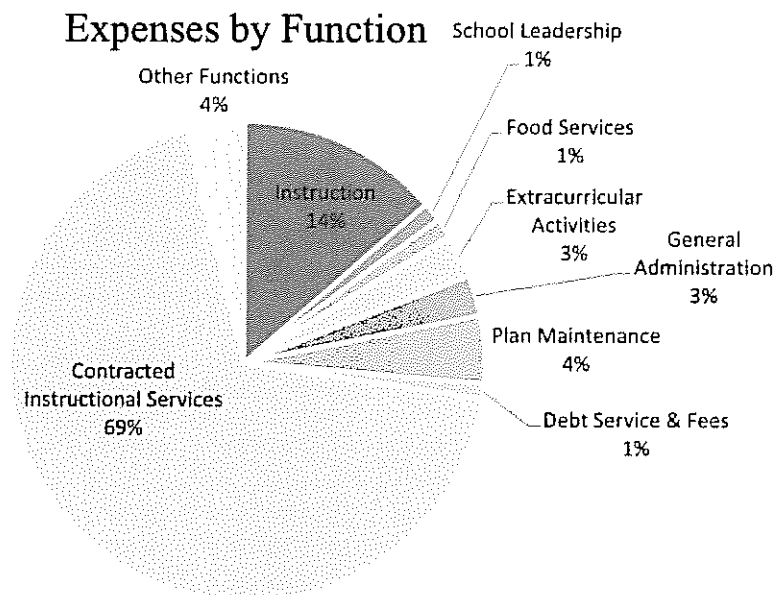
Other factors impacting the District's financial position include the following:

- The District's appraised valuation of taxable property increased from \$1,726,734,777 to \$2,790,772,877, an increase of 61.6%. The total school property taxes assessed for school year 2018 were \$36,838,202. This is an increase of \$14,045,303 from the \$22,792,899 assessed in 2017.
- Total tax collections for 2018 were \$36,353,097 (98.7% of the current year levy). The tax collections for 2017 were \$22,328,170 (98.0% of that year's levy).

Sources of Revenue for the 2017-18 year consisted of the following:



Expenses by function are as follows:



Fund Balances

The District's total Governmental Funds fund balance is \$25,107,677. This fund balance is reported in the various Governmental funds as follows:

General Fund: \$13,356,339 – Of this balance, \$2,900,000 is committed for future construction and equipment purchases and other expenditures. This balance is available for current spending; however, it has been the practice of the District to try and maintain a fund balance that is at least several months operating expenses. The balance in the General Fund in 2017 was \$8,779,534.

Debt Service Fund: \$11,751,338 – This balance is restricted for extinguishing of long-term debt. The fund balance restricted for Debt Service in 2017 was \$6,918,603.

Table III
Wink-Loving Independent School District
Governmental Funds - Fund Balances

	General Fund	Debt Service Fund	Totals
Restricted for:			
Retirement of Long-Term Debt	\$	\$ 11,751,338	\$ 11,751,338
Committed for:			
Construction - Other	2,300,000		2,300,000
Capital Expenditures for Equipment	600,000		600,000
Unassigned	10,456,339		10,456,339
Total Fund Balances	\$ 13,356,339	\$ 11,751,338	\$ 25,107,677

Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to reflect the revised estimates of revenues and expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2018, the District has \$34,192,636 of capital assets, net of accumulated depreciation. Financial statement Footnote No. 6 discloses the capital asset activity of the District for the year ended August 31, 2018.

Debt

At August 31, 2018, the District's long-term debt included \$15,845,000 in bonds payable, \$536,606 in unamortized bond premiums, and \$137,123 in accrued leave liability. The funding for the payment of liabilities come from operating revenues. Interest and Sinking property taxes will assist in making bond payments. Financial statement Footnote No. 10 discloses the debt activity of the District for the year ended August 31, 2018.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District's elected and appointed officials considered many factors when setting the 2018-2019 fiscal year budget and tax rates. Among the factors considered is the economy, the District's population growth during the past few years, employment issues, property values, decisions before the Texas Legislature concerning state funding, and available grants from various agencies.

In the 2018-2019 budget, amounts available for appropriation in the General Fund budget are \$45,877,143.00, an increase of 44% over the adopted 2017-2018 budget of \$20,186,100. The District will use its revenue to finance programs currently offered. Conversely, budgeted expenditures of \$42,260,639.00 are expected to increase about 46% as compared to the adopted 2017-2018 budget of \$19,185,922. Most of this increase in expected revenue and expenditures are due to expected increases in property taxes received and resulting recapture paid to the state. For normal district operations, the District has added no new major programs or initiatives to the 2018-2019 budget.

The property values of the District remain volatile due to the oil and gas activity in Winkler and Loving Counties. The taxes assessed on these property values affects the amount of money received from the state as well as the amount of recapture the District must pay in a year.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase modestly or remain unchanged by the close of the 2018-2019 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Wink-Loving Independent School District, P.O. Box 637, Wink, Texas 79789.

BASIC FINANCIAL STATEMENTS

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
11 Instruction	\$ 3,536,383	\$	\$ (476,654)	\$ (4,013,037)
12 Instructional Resources and Media Services	40,672		(4,162)	(44,834)
13 Curriculum and Staff Development	34,058		1,448	(32,610)
23 School Leadership	339,041		(62,560)	(401,601)
31 Guidance, Counseling, and Evaluation Services	72,112		(14,560)	(86,672)
33 Health Services	57,644		(13,065)	(70,709)
34 Student Transportation	213,142		(6,787)	(219,929)
35 Food Services	348,405	116,804	55,500	(176,101)
36 Extracurricular Activities	768,726		(68,689)	(837,415)
41 General Administration	701,572		(94,561)	(796,133)
51 Plant Maintenance and Operations	1,184,162	41,000	(27,158)	(1,170,320)
72 Debt Service - Interest	262,516			(262,516)
73 Bond Issuance Costs and Fees	1,500			(1,500)
91 Contracted Instructional Services Between Schools	17,931,869			(17,931,869)
93 Payments to Fiscal Agent/Member Districts	115,809			(115,809)
99 Other Intergovernmental Charges	493,978			(493,978)
TP Total Primary Government	\$ <u>26,101,589</u>	\$ <u>157,804</u>	\$ <u>(711,248)</u>	\$ <u>(26,655,033)</u>

Data Control Codes	General Revenues:	
MT	Property Taxes, Levied for General Purposes	\$ 29,157,255
DT	Property Taxes, Levied for Debt Service	7,865,670
SF	State Aid - Formula Grants	1,290,267
IE	Investment Earnings	455,465
MI	Miscellaneous Local and Intermediate Revenue	16,777
S1	Loss on Impairment of Capital Assets	(472,811)
TR	Total General Revenues, Special Items, and Transfers	\$ <u>38,312,623</u>
CN	Change in Net Position	\$ 11,657,590
NB	Net Position - Beginning	33,368,119
PA	Prior Period Adjustment Required by GASB 75	(3,094,402)
NE	Net Position - Ending	\$ <u>41,931,307</u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		Major Funds		Non-Major Governmental Funds	98 Total Governmental Funds
		10 General Fund	50 Debt Service Fund		
	ASSETS AND OTHER DEBITS:				
1110	Cash and Temporary Investments	\$ 15,233,342	\$ 11,751,338	\$ 8,388	\$ 26,993,068
1220	Property Taxes - Delinquent	1,793,606	470,859		2,264,465
1230	Allowance for Uncollectible Taxes	(20,546)	(409)		(20,955)
1240	Due from Other Governments			3,145	3,145
1260	Due from Other Funds	13,864			13,864
1290	Other Receivables	20,513			20,513
1490	Other Current Assets	9,555			9,555
1000	Total Assets	\$ 17,050,334	\$ 12,221,788	\$ 11,533	\$ 29,283,655
	LIABILITIES:				
2110	Accounts Payable	\$ 137,960	\$	\$ 8,388	\$ 146,348
2150	Payroll Deductions Payable	1,045			1,045
2160	Accrued Wages Payable	190,991			190,991
2170	Due to Other Funds			3,145	3,145
2180	Due to Other Governments	1,572,327			1,572,327
2300	Unearned Revenues	18,612			18,612
2000	Total Liabilities	\$ 1,920,935	\$ 0	\$ 11,533	\$ 1,932,468
	DEFERRED INFLOWS OF RESOURCES:				
2601	Unavailable Revenue - Property Taxes	\$ 1,773,060	\$ 470,450	\$	\$ 2,243,510
2600	Total Deferred Inflows	\$ 1,773,060	\$ 470,450	\$ 0	\$ 2,243,510
	FUND BALANCES:				
	Restricted for:				
3480	Retirement of Long-Term Debt	\$	\$ 11,751,338	\$	\$ 11,751,338
	Committed for:				
3510	Construction	2,300,000			2,300,000
3530	Capital Expenditures for Equipment	600,000			600,000
3600	Unassigned	10,456,339			10,456,339
3000	Total Fund Balances	\$ 13,356,339	\$ 11,751,338	\$ 0	\$ 25,107,677
4000	Total Liabilities, Deferred Inflows and Fund Balances	\$ 17,050,334	\$ 12,221,788	\$ 11,533	\$ 29,283,655

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
AUGUST 31, 2017

Data
Control
Codes

	Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 25,107,677
1	The District uses internal service funds to charge the costs of certain activities, such as workers compensation, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position. The net effect of this consolidation is to increase net position.	240,167
2	General capital assets are not financial resources and are not reported in the fund financial statements. This amount is the cost, net of accumulated depreciation, of the District's general capital assets.	34,192,636
3	Long-term liabilities (e.g., bonds, compensated absences, etc.) do not require current financial resources and are not reported in the funds. This amount is the District's total long-term liabilities.	(15,982,123)
4	Governmental funds report the effect of debt premiums, discounts, and similar items when the debt is issued; these amounts are recorded as an asset in the Statement of Net Position and amortized over the life of the related debt. This amount is the net effect of these differences.	(536,606)
5	The district recognized a financial gain when refunding of bonds for purposes of the government-wide financial statements. This balance of this unamortized gain resulted in a decrease to net position.	(60,208)
6	A liability for accrued interest on long-term debt is not recognized on the fund financial statement, but it is included on the government-wide financial statement. The net effect of including this liability is to decrease net position.	(17,058)
8	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liabilities required by GASB 68, a deferred resource inflow, and a deferred resource outflow. This amounted to a decrease in net position.	(782,474)
	Included in the items related to debt is the recognition of the District's proportionate share of the net post employment obligation liabilities required by GASB 75, a deferred resource inflow, and a deferred resource outflow. This amounted to a decrease in net position.	(2,474,214)
9	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net position.	2,243,510
19	Total Net Position of Governmental Activities (Exhibit A-1)	\$ <u>41,931,307</u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

		Major Funds			
		10	50		98
Data Control Codes		General Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
5700	Local and Intermediate Sources	\$ 29,110,655	\$ 7,904,735	\$ 116,804	\$ 37,132,194
5800	State Program Revenues	1,557,227		23,325	1,580,552
5900	Federal Program Revenues			167,591	167,591
5020	Total Revenues	\$ 30,667,882	\$ 7,904,735	\$ 307,720	\$ 38,880,337
Expenditures:					
0011	Instruction	\$ 3,477,581	\$	\$ 92,370	\$ 3,569,951
0012	Instructional Resources and Media Services	39,960			39,960
0013	Curriculum and Staff Development	21,099			21,099
0023	School Leadership	363,077			363,077
0031	Guidance, Counseling, and Evaluation Services	77,194			77,194
0033	Health Services	63,813			63,813
0034	Student Transportation	222,738			222,738
0035	Food Services			328,992	328,992
0036	Extracurricular Activities	715,253			715,253
0041	General Administration	683,911			683,911
0051	Plant Maintenance and Operations	1,041,400			1,041,400
0071	Debt Service - Principal		2,505,000		2,505,000
0072	Debt Service - Interest		565,500		565,500
0073	Debt Service - Bond Issuance Cost and Fees		1,500		1,500
0081	Facilities Acquisition and Construction	661,923			661,923
0091	Contracted Instructional Services Between Schools	17,931,869			17,931,869
0093	Payments to Fiscal Agent/Member Districts	115,809			115,809
0099	Other Intergovernmental Charges	493,978			493,978
6030	Total Expenditures	\$ 25,909,605	\$ 3,072,000	\$ 421,362	\$ 29,402,967
1100	Excess (Deficiency) of Revenues Under Expenditures	\$ 4,758,277	\$ 4,832,735	\$ (113,642)	\$ 9,477,370
Other Financing Sources (Uses):					
7915	Transfers In	\$	\$	\$ 113,642	\$ 113,642
8911	Transfers Out (Use)	(181,472)			(181,472)
7080	Total Other Financing Sources (Uses)	\$ (181,472)	\$ 0	\$ 113,642	\$ (67,830)
1200	Net Change in Fund Balance	\$ 4,576,805	\$ 4,832,735	\$ 0	\$ 9,409,540
0100	September 1 - Fund Balance	8,779,534	6,918,603	0	15,698,137
3000	August 31 - Fund Balance	\$ 13,356,339	\$ 11,751,338	\$ 0	\$ 25,107,677

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Net Change in Fund Balance - Total Governmental Funds (Exhibit C-3)	\$ 9,409,540
Amounts reported for governmental activities in the Statement of Activities (Exhibit B-1) are different because:	
Internal service funds are used by management to charge the costs of certain activities, such as workers compensation, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit D-2).	(65,141)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,026,382)
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	542,701
Loss on sale of fixed assets is not recognized on the fund financial statement, but it is included on the government-wide financial statement. The effect of including this loss is to decrease the change in net position.	(556,783)
A liability for accrued interest on long-term debt is not recognized on the fund financial statement, but it is included on the government-wide financial statement. The net effect of including the change in this liability is to increase the change in net position.	2,927
A liability for compensated absences is not recognized on the fund financial statement, but it is included on the government-wide financial statement. The net effect of including the change in this liability is to increase the change in net position.	(31,922)
Repayment of the bonds and other long-term debt principal of \$2,505,000 is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. In addition, amortizations of bond premiums and gain on refunding amounted to \$255,643 and \$44,414, respectively.	2,805,057
GASB 68 and 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2017 are recognized as deferred outflows. The District's share of the unrecognized deferred inflows and outflows as of the measurement date had to be amortized. The impact of these transactions is to decrease the change in net position.	577,593
Change in Net Position of Governmental Activities (Exhibit B-1)	\$ <u>11,657,590</u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET POSITION
PROPRIETARY FUND
AUGUST 31, 2018

		Governmental Activities
		<u>Internal Service Fund</u>
ASSETS:		
Cash and Temporary Investments	\$	205,449
Prepayments		<u>45,437</u>
Total Assets	\$	<u>250,886</u>
LIABILITIES:		
Due to Other Funds	\$	<u>10,719</u>
NET POSITION:		
Unrestricted Net Position	\$	<u><u>240,167</u></u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities Internal Service Fund
OPERATING REVENUES:	
Employer Contributions	\$ 67,830
Employee Contributions	688,814
Interest Income	60
	<u>\$ 756,704</u>
OPERATING EXPENSES:	
Fixed Costs and Insurance Premiums	\$ 738,231
Claims Paid (Less Stop Loss Reimbursements of \$16,148)	83,614
	<u>\$ 821,845</u>
Change in Net Position	\$ (65,141)
Net Position - September 1 (Beginning)	<u>305,308</u>
Net Position - August 31 (Ending)	<u><u>\$ 240,167</u></u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2018

		<u>Governmental Activities Internal Service Fund</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash Flows from Operating Activities		
Cash Receipts from Charges to Other Funds	\$	78,549
Cash Receipts from Employees		688,814
Interest Income		60
Cash Payments to Suppliers for Services		<u>(867,282)</u>
Net Cash From Operating Activities	\$	<u>(99,859)</u>
Net Change in Cash and Cash Equivalents	\$	(99,859)
Cash and Cash Equivalents at Beginning of the Year		<u>305,308</u>
Cash and Cash Equivalents at End of Year	\$	<u><u>205,449</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating Income	\$	(65,141)
Changes in Assets and Liabilities		
Increase in Prepayments		(45,437)
Increase in Due from Other Funds		<u>10,719</u>
Net Cash From Operating Activities	\$	<u><u>(99,859)</u></u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
AUGUST 31, 2018

	Private Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and Temporary Investments	\$	\$ 37,300
Restricted Assets	<u>42,167</u>	<u></u>
Total Assets	<u>\$ 42,167</u>	<u>\$ 37,300</u>
LIABILITIES:		
Accounts Payable	\$	\$ 1,143
Due to Student Groups	<u></u>	<u>36,157</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 37,300</u>
NET POSITION:		
Restricted Net Position	<u>\$ 42,167</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUND
AUGUST 31, 2018

	Private Purpose Trust Funds
ADDITIONS:	
Interest Income	\$ 273
Total Additions	\$ 273
DEDUCTIONS:	
Other Operating Costs	\$ 0
Total Deductions	\$ 0
Change in Net Position	\$ 273
Net Position - September 1 (Beginning)	41,894
Net Position - August 31 (Ending)	\$ 42,167

The accompanying notes are an integral part of these financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wink-Loving Independent School District (the District) is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB) applicable to governmental units. The District also complies with the appropriate version of the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FAR) and the requirements of contracts and grants of agencies from which it receives funds. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of School Trustees (the Board), a seven-member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board of School Trustees is elected by the public. The Board has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (the Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined in governmental accounting and financial reporting standards. There are no component units included within the reporting entity.

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

B. BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the non-fiduciary activities of the District. 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 intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (i.e., internal service funds are considered governmental activities and not business-type activities). The District currently has no business-type activities.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are charged to expense.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

These government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that 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. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. 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.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

During the 2018 fiscal year, the District adopted GASB Statement No. 75 (GASB 75) for Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the net other post-employment benefit (OPEB) liability of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report its effect retroactively. The amount of the prior period adjustment is (\$3,094,402). The restated beginning net position is \$30,273,717.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operation, they are not included in the government-wide statements. Major governmental funds are reported as separate columns in the fund financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Revenues from local sources consist primarily of property taxes. No amounts have been recorded for property tax revenues collected after August 31, 2018. State revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

In the fund financial statements, governmental fund types recognize bond issue costs in the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Premiums and discounts on bonds issued, as well as applicable gain or loss on refinancing of bonds, are recognized on the statement of net position and amortized over the life of the applicable bonds.

The proprietary fund and the fiduciary fund financial statements were reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

Propriety funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a propriety fund's principal ongoing operations, they usually come from exchange or exchange-like transactions. All other revenues are non-operating.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

GOVERNMENTAL FUND TYPES

The District reports the following major governmental funds:

General Fund – This fund is established to account for resources used for general operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund and unassigned fund balances are considered resources available for current operations.

Debt Service Fund – This fund is used to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which tax has been dedicated. This is a budgeted fund, and any unused sinking fund balances will be transferred to the general fund after all of the related debt obligations have been met.

Additionally, the government reports the following governmental fund types:

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specified project periods.

The District's food service is considered a special revenue fund since the general fund only subsidizes the food service program for all expenditures in excess of NSLP and user fees. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

PROPRIETARY FUND TYPES

Internal Service Funds – Internal service funds are used to account for revenues and expenses related to services provided to parties inside the District, specifically for the operation of the District's partially self-funded insurance plans for workers' compensation and medical insurance on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Private Purpose Trust Fund – The District accounts for donations for which the donor has stipulated may be used for purposes that benefit parties outside the District. The District's Private Purpose trust fund is a scholarship fund, with annual scholarships to be awarded to past students of the District in accordance with donor stipulations.

Agency Funds – These custodial funds are used to account for activities of student groups and other organizational activities. Financial resources for the agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of School Trustees. If any unused resources are declared a surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

Capital assets, which include buildings and improvements, furniture and equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the District to refund all or part of the unused amount.

Supplies and materials are debited as expenditures when purchased.

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. The vacation leave is paid upon termination and, therefore, is recognized as a liability on the Statement of Net Position. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR. Mandatory codes are utilized in the form provided in that section.

D. BUDGETARY DATA

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund, debt service fund, and the food service special revenue fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

- a. Prior to August 20 of the preceding fiscal year, 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.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, and they are reflected in the official minutes of the Board. During the year, several amendments were necessary. The District ended the year with expenditures exceeding the budget in function 91 related to recapture payments required by the state.

E. ENCUMBRANCE ACCOUNTING

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2018.

F. FUND EQUITY

The District has adopted GASB Statement 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of restrictions by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Board of School Trustees, the highest level of decision making authority.

Assigned – Amounts that can be used for a specific purpose as expressed by the authorized administrator, the Superintendent.

Unassigned – Amounts not included in other spendable classifications.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

G. NET POSITION ON THE STATEMENT OF NET POSITION

Net position on the Statement of Net Position includes the following:

Net Investment in Capital Assets – this component of net position represents the difference between capital assets less accumulated depreciation and the outstanding balance of debt, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service – this component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted – the difference between assets and liabilities that is not reported in Net Investment in Capital Assets or Net Position Restricted for Debt Service.

H. NEGATIVE GRANTS AND CONTRIBUTIONS – STATEMENT OF ACTIVITIES

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities for some functions. According to guidance provided by GASB, this is the correct reporting.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 Instruction	\$ (476,654)	\$ (698,394)	\$ 221,740
12 Instructional Resources and Media Services	(4,162)	(7,037)	2,875
13 Curriculum and Staff Development	1,448		1,448
23 School Leadership	(62,560)	(78,970)	16,410
31 Guidance, Counseling, and Evaluation Services	(14,560)	(17,281)	2,721
33 Health Services	(13,065)	(15,436)	2,371
34 Student Transportation	(6,787)	(14,863)	8,076
35 Food Services	55,500	(43,046)	98,546
36 Extracurricular Activities	(68,689)	(92,221)	23,532
41 General Administration	(94,561)	(122,968)	28,407
51 Plant Maintenance and Operations	(27,158)	(78,908)	51,750
	<u>\$ (711,248)</u>	<u>\$ (1,169,124)</u>	<u>\$ 457,876</u>

I. 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.

J. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

K. CASH AND CASH EQUIVALENTS – PROPRIETARY FUNDS

For purposes of the Statement of Cash Flows for proprietary fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

L. MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

2. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act**, Government Code Chapter 2256 (the Act) 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 return, (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, and (9) 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; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. 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.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does not address the following risks:

- a. **Custodial Credit Risk – Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk because its deposits are all covered by depository insurance and pledged securities held by a third party in the District's name.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

- b. Concentration of Credit Risk – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2018, all of the District's investments are in external investment pools, and as such the District has no risk.
- c. Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2018, the District was not significantly exposed to credit risk.
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

Public Funds Investment Pools

Public Funds Investment Pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) Have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) Maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and, 3) Maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investment in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The carrying amount of the District's cash and temporary investments at August 31, 2018, approximates fair value and consisted of the following shown below:

Cash in Bank	\$ 684,580
TexPool Investments	26,593,404
Cash on Hand	3,300
Total Cash and Investments	<u>\$ 27,277,984</u>
Cash and Investments - Governmental Funds	\$ 26,993,068
Cash and Investments - Internal Service Fund	205,449
Cash and Investments - Statement of Net Position	\$ 27,198,517
Cash and Investments - Fiduciary Funds	79,467
Total Cash and Investments	<u>\$ 27,277,984</u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

3. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. All property taxes remaining uncollected after ten years are provided for in the allowance for uncollectible taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas legislature.

4. DUE FROM OTHER GOVERNMENTS

The amount due from other governments consisted of \$3,145 due from the state for various special revenue fund programs at August 31, 2018.

5. INTERFUND RECEIVABLES AND PAYABLES

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

	Due from Other Funds	Due to Other Funds
General Fund		
Special Revenue Funds	\$ 3,145	\$
Internal Service Funds	10,719	
Special Revenue Funds		
General Fund		3,145
Internal Service Funds		
General Fund		10,719
	<u>\$ 13,864</u>	<u>\$ 13,864</u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

6. CAPITAL ASSETS

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

	9/1/2017	Additions	Retirements	Transfers	8/31/2018
Capital Assets:					
Land	\$ 72,208	\$	\$ (10,000)	\$ 40,000	\$ 102,208
Building	47,831,957	665,580	(298,126)		48,199,411
Equipment/Vehicles	2,671,105	71,763	(73,717)		2,669,151
Construction Work In Progress	512,811		(472,811)	(40,000)	0
	<u>\$ 51,088,081</u>	<u>\$ 737,343</u>	<u>\$ (854,654)</u>	<u>\$ 0</u>	<u>\$ 50,970,770</u>
Accumulated Depreciation:					
Buildings	\$ 13,442,494	\$ 1,570,984	\$ (224,154)	\$	\$ 14,789,324
Equipment/Vehicles	1,869,786	192,741	(73,717)		1,988,810
	<u>\$ 15,312,280</u>	<u>\$ 1,763,725</u>	<u>\$ (297,871)</u>	<u>\$ 0</u>	<u>\$ 16,778,134</u>
Total Net Value of Capital Assets	<u>\$ 35,775,801</u>	<u>\$ (1,026,382)</u>	<u>\$ (556,783)</u>	<u>\$ 0</u>	<u>\$ 34,192,636</u>
Salvage			21,925		
Other Net Loss on Retirement			<u>\$ (534,858)</u>		

Capital assets are being depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15 – 30 years
Furniture and Equipment	5 – 20 years
Vehicles	5 – 10 years

Depreciation expense and net loss on sale of fixed assets, was charged to functions of the primary government as follows:

	Depreciation	Net Loss
Instruction	\$ 883,411	\$ 31,076
Instructional Resources and Media Services	9,888	348
Curriculum and Instructional Staff Development	5,221	184
School Leadership	89,846	3,161
Guidance, Counseling, and Evaluation Services	19,102	672
Health Services	15,791	556
Student Transportation	55,118	1,939
Food Services	81,412	2,864
Extracurricular Activities	176,995	6,227
General Administration	169,239	5,954
Plant Maintenance and Operations	257,702	9,066
Loss on Impairment of Capital Assets		472,811
	<u>\$ 1,763,725</u>	<u>\$ 534,858</u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

During the year ended August 31, 2018, the District determined that improved property related to a construction project was impaired due to the fact that there are no longer plans to continue that project. Therefore, the properties were written down to the estimated fair market value based on the sale of a piece of that property during the year. This resulted in a loss on impairment of capital assets of \$472,811, which is recognized separately on the statement of activities.

7. DUE TO OTHER GOVERNMENTS

Amounts due to other governments include \$1,572,327 due to the state for Chapter 41 property tax recapture amounts owed as of August 31, 2018.

8. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Inflows and Outflows on the Statement on Net Position consist of the following:

	Deferred Outflows	Deferred Inflows
Pension Related (See Note 12)	\$ 389,015	\$ 202,412
OPEB Related (See Note 13)	28,672	738,180
Unamortized Gain (See Note 10)		60,208
Deferred Outflows/Inflows	<u>\$ 417,687</u>	<u>\$ 1,000,800</u>

Deferred Inflows on the Balance Sheet – Governmental Funds consist of the following:

	General Fund	Debt Service Fund	Total
Property Taxes - Delinquent	\$ 1,793,606	\$ 470,859	\$ 2,264,465
Less: Allowance for Uncollectible Taxes	20,546	409	20,955
Total Unavailable Tax Revenues (Exhibit C-1)	<u>\$ 1,773,060</u>	<u>\$ 470,450</u>	<u>\$ 2,243,510</u>

9. UNEARNED REVENUE

Unearned revenue consists of the overpayment of state foundation funds of \$18,612 carried forward to the next fiscal year.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

10. LONG-TERM LIABILITIES

Bonds Payable

A summary of changes in bonds payable for the year ended August 31, 2018, is as follows:

Description	Interest Rates	Amounts Originally Issued	Amounts Outstanding 9/1/2017	Increases Current Year	Retired Current Year	Amount Outstanding 8/31/2018
2013 Unlimited Tax School Building Bonds	2.0% - 3.5%	\$ 9,365,000	\$ 7,785,000	\$	\$ 550,000	\$ 7,235,000
2015 Unlimited Tax School Building Bonds	2.0% - 3.25%	5,295,000	4,360,000		490,000	3,870,000
2016 Unlimited Tax Refunding Bonds	2.0% - 5.0%	<u>6,205,000</u>	<u>6,205,000</u>		<u>1,465,000</u>	<u>4,740,000</u>
Total Unlimited Tax Bonds		<u>\$ 20,865,000</u>	<u>\$ 18,350,000</u>	<u>\$ 0</u>	<u>\$ 2,505,000</u>	<u>\$ 15,845,000</u>

In September 2013, the District issued \$9,365,000 in Unlimited Tax School Building Bonds with interest rates of 2.0% - 3.5% for capital improvements.

In May 2015, the District issued \$5,295,000 in Unlimited Tax School Building Bonds with interest rates of 2.0% - 3.25% for capital improvements.

In September 2016, the District issued \$6,205,000 in Unlimited Tax Refunding Bonds with interest rates from 2.0% to 5.0% to refund \$6,605,000 of 2012 Unlimited Tax Building Bonds with interest rates from 2.0% to 4.0%. The District completed the current refunding in order to reduce its total debt service payments over the next four years. This resulted in a financial gain reported on the statement of net position. The unamortized gain on refunding at August 31, 2018 is \$60,208.

Interest expenditures for bonded debt for the year ended August 31, 2018 totaled \$3,070,500. Accrued interest payable at year end amounted to \$17,058 and is shown as a payable on the Statement of Net Position. As of August 31, 2018 the balance of the Unamortized Bond Premium is \$536,606.

Debt service requirements are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2019	\$ 2,580,000	\$ 485,613	\$ 3,065,613
2020	2,680,000	386,538	3,066,538
2021	2,775,000	290,000	3,065,000
2022	2,975,000	195,525	3,170,525
2023-2025	<u>4,835,000</u>	<u>153,913</u>	<u>4,988,913</u>
	<u>\$ 15,845,000</u>	<u>\$ 1,511,589</u>	<u>\$ 17,356,589</u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Accrued Leave Liability

A liability related to the unused vacation leave that is paid upon termination is recorded as a long-term liability on the Statement of Net Position. At August 31, 2017, this amounted to \$137,123.

11. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes, Penalties, Interest, and Other Tax-Related Income	\$ 28,730,223	\$	\$ 7,750,000	\$ 36,480,223
Food Sales		116,804		116,804
Interest Income	300,730		154,735	455,465
Rental Income	41,000			41,000
Other	38,703			38,703
	<u>\$ 29,110,656</u>	<u>\$ 116,804</u>	<u>\$ 7,904,735</u>	<u>\$ 37,132,195</u>

12. 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). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The information provided in the Notes to the Financial Statements in the 2017 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2017 and 2016.

Net Pension Liability	2017	2016
Total Pension Liability	\$ 179,336,534,819	\$ 171,797,150,487
Less: Plan Fiduciary Net Position	(147,361,922,120)	(134,008,637,473)
Net Pension Liability	\$ 31,974,612,699	\$ 37,788,513,014
Net Position as Percentage of Total Pension Liability	82.17%	78.00%

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

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's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

	Contribution Rates	
	2017	2018
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
2018 Employer Contributions	\$	102,448
2018 Member Contributions		292,471
2017 NECE On-Behalf Contributions		203,266

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

As the non-employer contributing entity for public education, 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 or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instruction or administrative employees; and 100% of the state contribution rate for all other employees.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age - Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
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 years ending August 31, 2014 and adopted September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was eight percent. 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 eight percent. 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.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18.00%	4.60%	1.00%
Non-U.S. Developed	13.00%	5.10%	0.80%
Emerging Markets	9.00%	5.90%	0.70%
Directional Hedge Funds	4.00%	3.20%	0.10%
Private Equity	13.00%	7.00%	1.10%
Stable Value			
U.S. Treasuries	11.00%	0.70%	0.10%
Absolute Return	0.00%	1.80%	0.00%
Hedge Funds (Stable Value)	4.00%	3.00%	0.10%
Cash	1.00%	-0.20%	0.00%
Real Return			
Global Inflation-Linked Bonds	3.00%	0.90%	0.00%
Real Assets	16.00%	5.10%	1.10%
Energy and Natural Resources	3.00%	6.60%	0.20%
Commodities	0.00%	1.20%	0.00%
Risk Parity			
Risk Parity	5.00%	6.70%	0.30%
Inflation Expectation			2.20%
Alpha			1.00%
Total	<u>100.00%</u>		<u>8.70%</u>

* - 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 2017 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	\$ <u>1,633,673</u>	\$ <u>969,077</u>	\$ <u>415,694</u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

At August 31, 2018, the District reported a liability of \$969,077 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$	969,077
State's Proportionate Share that is Associated with the District		<u>1,987,242</u>
Total	\$	<u><u>2,956,319</u></u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.003031% which was a decrease of 0.000180% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$151,579 and revenue of \$203,266 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 14,178	\$ 52,261
Changes in Actuarial Assumptions	44,143	25,271
Difference Between Projected and Actual Investment Earnings		70,624
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	228,246	54,256
Contributions Paid to TRS Subsequent to the Measurement Date	<u>102,448</u>	
Total	<u><u>\$ 389,015</u></u>	<u><u>\$ 202,412</u></u>

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WINK-LOVING INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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:

	Pension Expense Amount
2019	\$ 16,058
2020	77,917
2021	11,306
2022	(8,364)
2023	(4,797)
Thereafter	(7,965)

13. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

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

Other Post-Employment Benefit Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2017.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability</u>	<u>2017</u>
Total OPEB Liability	\$ 43,885,784,621
Less: Plan Fiduciary Net Position	<u>(399,535,986)</u>
Net OPEB Liability	<u>\$ 43,486,248,635</u>

Net Position as Percentage of Total OPEB Liability	0.91%
---	-------

Benefits Provided

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

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

TRS-Care Plan Premium Rates Effective Sept. 1, 2016 - Dec. 31, 2017			
	TRS Care-1 Basic Plan	TRS Care-2 Optional Plan	TRS Care-3 Optional Plan
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82
* or surviving spouse			

Contributions

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The following tables show contributions to the TRS-Care plan by type of contributor:

	Contribution Rates	
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
2018 Employer Contributions	\$	28,397
2018 Member Contributions		24,337
2017 NECE On-Behalf Contributions		36,905

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

Actuarial Assumptions

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

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

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

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

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was an increase change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's Proportionate Share of the Net OPEB Liability	\$ <u>2,082,792</u>	\$ <u>1,764,706</u>	\$ <u>1,509,038</u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	\$ 1,469,294	\$ 1,764,706	\$ 2,152,324

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

At August 31, 2018, the District reported a liability of \$1,764,706 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 1,764,706
State's Proportionate Share that is Associated with the District	<u>3,086,865</u>
Total	<u>\$ 4,851,571</u>

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

At August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.00405808% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

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

For the year ended August 31, 2018, the District recognized OPEB expense and revenue of (\$1,032,947) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$	\$ 36,840
Changes in Actuarial Assumptions		701,340
Difference Between Projected and Actual Investment Earnings	268	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	7	
Contributions Paid to TRS Subsequent to the Measurement Date	28,397	
Total	\$ 28,672	\$ 738,180

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

	Pension Expense Amount
2019	\$ (97,366)
2020	(97,366)
2021	(97,366)
2022	(97,367)
2023	(97,435)
Thereafter	(251,005)

14. SELF-INSURANCE – WORKMEN'S COMPENSATION

The District participates in a public entity risk pool for Workmen's Compensation Insurance. Over 100 school districts participate in the pool administered by Claims Administrative Services, Inc. The agreement between the District and the pool is renewable annually on September 1. The District's maximum loss under the agreement for 2018 was set at \$50,172, excluding fixed costs of \$13,743. The pool is protected against unanticipated catastrophic loss by stop-loss coverage provided through Midwest Employers Casualty Corporation. The stop-loss policy covers individual claims in excess of \$1,000,000 per incident. The District accounts for its costs associated with the pool through an internal service fund.

The claims administrator for the pool has estimated the District's share of unpaid claims as of August 31, 2018, to be \$47,804, including estimated claims incurred but not reported of \$19,409. The District has not recorded any claims payable as of August 31, 2018.

15. HEALTH CARE COVERAGE

Beginning September 1, 2016 the District has discontinued the self-insured medical plan and enrolled in a Blue Cross/Blue Shield plan. The District contributes \$435 per month per employee to the plan and the employees, at their option, authorize payroll withholdings to pay premiums for dependents' health insurance coverage. The District does not provide any post-retirement health benefits to employees.

In addition, payments made on behalf of the District by the state for Medicare, Part D fringe benefits and salaries amounted to \$15,051 and \$17,491 for the years ended August 31, 2018 and 2017, respectively.

16. LITIGATION

There is no litigation pending against the District which would have a material effect on the financial statements.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

17. CHAPTER 313 AGREEMENT

The District entered into agreements with Phoebe Energy Project, LLC and Winkler Solar, LLC. In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, each of the agreements were deemed to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. After approval, the applicants must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure that relevant job, wage, and operational requirements are being met. The first year of value limitation under these agreements is 2020. Therefore there are no value limitation amounts to report for the year ended August 31, 2018.

18. COMMITMENTS AND CONTINGENCIES

Federal and State Funding

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 adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Heavy Equipment Property Tax Decision

In March 2018, a case involving the valuation of heavy equipment inventory as it relates to property tax assessments was settled by the Texas Supreme Court reducing the valuation of oil and gas compressors drastically. As a result, any taxing entity who collected taxes on these compressors will need to identify and refund those taxes to the associated taxpayers with interest. The District estimates that this contingent liability is around \$636,000 not including interest. Property taxes for prior years will be adjusted once these refunds are paid, and state revenue adjustments will offset the loss in property tax revenue.

19. LITIGATION

There is no litigation pending against the District which would have a material effect on the financial statements.

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WINK-LOVING INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

20. SUBSEQUENT EVENTS

The District's management has evaluated subsequent events through November 5, 2018, the date which the financial statements were available for issue.

Bond Issuance

In September 2018, the District issued \$49,170,000 in Unlimited Tax School Building Bonds with an interest rate of 3.6% for capital improvements. These bonds will increase the debt service for the District by approximately \$7.3 million for the year ended August 31, 2019. These bonds are scheduled to mature by the year 2032.

Bond Defeasance

In September 2018, the District elected to defease the remainder of its 2013 bond issuance in the amount of \$6,670,000. The District will fund this defeasance through a payment from debt service fund balance of \$7,431,960. These funds will be held in escrow until the bonds mature.

REQUIRED SUPPLEMENTARY INFORMATION

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)
	Original	Amended	Actual	
Revenues:				
5700 Local and Intermediate Sources	\$ 17,359,498	\$ 26,474,649	\$ 29,110,655	\$ 2,636,006
5800 State Program Revenues	2,824,602	389,941	1,557,227	1,167,286
5900 Federal Program Revenues	2,000	2,000		(2,000)
5020 Total Revenues	\$ 20,186,100	\$ 26,866,590	\$ 30,667,882	\$ 3,801,292
Expenditures:				
0011 Instruction	\$ 3,761,284	\$ 3,748,492	\$ 3,477,581	\$ 270,911
0012 Instructional Resources and Media Services	97,790	71,600	39,960	31,640
0013 Curriculum and Staff Development	54,600	54,100	21,099	33,001
0023 School Leadership	452,616	366,874	363,077	3,797
0031 Guidance, Counseling, and Evaluation Services	79,949	83,526	77,194	6,332
0033 Health Services	63,407	67,080	63,813	3,267
0034 Student Transportation	326,589	237,391	222,738	14,653
0036 Extracurricular Activities	732,857	743,453	715,253	28,200
0041 General Administration	782,548	1,024,367	683,911	340,456
0051 Plant Maintenance and Operations	1,555,809	1,226,423	1,041,400	185,023
0071 Debt Service - Principal	12,000	12,000		12,000
0072 Debt Service - Interest	4,000	4,000		4,000
0081 Facilities Acquisition and Construction	50,000	725,000	661,923	63,077
0091 Contracted Instructional Services Between School Districts	10,674,423	17,551,591	17,931,869	(380,278)
0093 Payments to Fiscal Agent/Member Districts of SSA	126,050	180,000	115,809	64,191
0099 Other Intergovernmental Charges	412,000	537,000	493,978	43,022
6030 Total Expenditures	\$ 19,185,922	\$ 26,632,897	\$ 25,909,605	\$ 723,292
1100 Excess of Revenues Over Expenditures	\$ 1,000,178	\$ 233,693	\$ 4,758,277	\$ 4,524,584
Other Financing Sources (Uses):				
8911 Transfers Out (Use)	\$ (675,000)	\$ (370,000)	\$ (181,472)	\$ 188,528
7080 Total Other Financing Sources (Uses)	\$ (675,000)	\$ (370,000)	\$ (181,472)	\$ 188,528
1200 Net Change in Fund Balance	\$ 325,178	\$ (136,307)	\$ 4,576,805	\$ 4,713,112
0100 September 1 - Fund Balance	8,779,534	8,779,534	8,779,534	0
3000 August 31 - Fund Balance	\$ 9,104,712	\$ 8,643,227	\$ 13,356,339	\$ 4,713,112

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>Plan Yr 2017</u>	<u>Plan Yr 2017</u>	<u>Plan Yr 2017</u>	<u>Plan Yr 2017</u>
District's Proportion of the Net Pension Liability	0.003031%	0.003211%	0.003266%	0.001940%
District's Proportionate Share of Net Pension Liability	\$ 969,077	\$ 1,213,430	\$ 1,154,452	\$ 518,254
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>1,987,242</u>	<u>2,488,375</u>	<u>2,504,147</u>	<u>2,301,766</u>
Total	<u>\$ 2,956,319</u>	<u>\$ 3,701,805</u>	<u>\$ 3,658,599</u>	<u>\$ 2,820,020</u>
District's Covered Payroll	\$ 3,755,093	\$ 3,711,355	\$ 3,665,751	\$ 3,896,258
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	25.81%	32.70%	31.49%	13.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	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 ending August 31 for each plan year.

Note: In accordance with GASB 68, paragraph 138, only four years of data are presented this reporting period. "The information for all periods for the ten 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."

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit G-3

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR PENSIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 99,331	\$ 102,025	\$ 96,704	\$ 49,189
Contribution in Relation to the Contractually Required Contribution	<u>(99,331)</u>	<u>(102,025)</u>	<u>(96,704)</u>	<u>(49,189)</u>
Contribution Deficiency (Excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
District's Covered Payroll	\$ 3,798,329	\$ 3,755,093	\$ 3,711,355	\$ 3,665,751
Contributions as a Percentage of Covered Payroll	2.62%	2.72%	2.61%	1.34%

Note: Only four years of data is presented in accordance with GASB 68, paragraph 138. "The information for all periods for the ten 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."

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit G-4

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31

	<u>2018</u> <u>Plan Yr 2017</u>
District's Proportion of the Net OPEB Liability	0.00405808%
District's Proportionate Share of Net OPEB Liability	\$ 1,764,706
State's Proportionate Share of the Net OPEB Liability Associated with the District	<u>3,086,865</u>
Total	<u>\$ 4,851,571</u>
District's Covered Payroll	\$ 3,755,093
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	47.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule be determined as of the measurement dates ending August 31 for each plan year.

Note: This schedule shows only the year for which this information is available. Additional information will be added until ten years of data are available and reported.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit G-5

SCHEDULES OF THE DISTRICT CONTRIBUTIONS
FOR OTHER POST-EMPLOYMENT BENEFITS
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31

	<u>2018</u>
Contractually Required Contribution	\$ 28,081
Contribution in Relation to the Contractually Required Contribution	<u>(28,081)</u>
Contribution Deficiency (Excess)	\$ <u>0</u>
District's Covered Payroll	\$ 3,798,329
Contributions as a Percentage of Covered Payroll	0.74%

Note: GASB Codification, Vol. 2, P50.238 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 of the preceding year.

Note: This schedule shows only the year for which this information is available. Additional information will be added until ten years of data are available and reported.

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. NOTES TO SCHEDULES FOR THE TRS PENSION

Changes of Benefit Terms

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

Changes of Assumptions

There were no changes in the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

B. NOTES TO SCHEDULES FOR THE TRS OPEB PLAN

Changes of Benefit Terms

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

Changes of Assumptions

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

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

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

OTHER SUPPLEMENTARY INFORMATION
EXHIBITS H-1 THROUGH J-3

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit H-1

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2018

	Special Revenue Funds		
	240	289	
	National Breakfast and Lunch Program	ESEA Title IV Part A Subpart 1	Total Non-Major Governmental Funds
ASSETS:			
Cash and Temporary Investments	\$ 8,388	\$	\$ 8,388
Due from Other Governments		3,145	3,145
Total Assets	\$ 8,388	\$ 3,145	\$ 11,533
LIABILITIES AND FUND BALANCE:			
Liabilities			
Accounts Payable	\$ 8,388	\$	\$ 8,388
Accrued Wages Payable			0
Due to Other Funds		3,145	3,145
Accrued Expenditures			0
Total Liabilities	\$ 8,388	\$ 3,145	\$ 11,533
Fund Balance	\$ 0	\$ 0	\$ 0
Total Liabilities and Fund Balance	\$ 8,388	\$ 3,145	\$ 11,533

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit H-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Special Revenue Funds						Total Non-Major Governmental Funds
	211 ESEA I, A Improving Basic Programs	240 National Breakfast and Lunch Program	255 ESEA II, A Training and Recruiting	270 ESEA VI, B Rural & Low Income	289 ESEA Title IV Part A Subpart 1	410 State Textbook Fund	
REVENUES:							
Local and Intermediate Sources	\$	\$ 116,804	\$	\$	\$	\$	\$ 116,804
State Program Revenues		9,364				13,961	23,325
Federal Program Revenues	28,029	89,182	8,193	39,042	3,145		167,591
Total Revenues	\$ 28,029	\$ 215,350	\$ 8,193	\$ 39,042	\$ 3,145	\$ 13,961	\$ 307,720
EXPENDITURES:							
Instruction	\$ 28,029	\$	\$ 8,193	\$ 39,042	\$ 3,145	\$ 13,961	\$ 92,370
Food Services		328,992					328,992
Total Expenditures	\$ 28,029	\$ 328,992	\$ 8,193	\$ 39,042	\$ 3,145	\$ 13,961	\$ 421,362
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ (113,642)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (113,642)
OTHER FINANCING SOURCES:							
Transfers In	\$	\$ 113,642	\$	\$	\$	\$	\$ 113,642
Total Other Financing Sources	\$ 0	\$ 113,642	\$ 0	\$ 0	\$ 0	\$ 0	\$ 113,642
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance - September 1 (Beginning)	0	0	0	0	0	0	0
Fund Balance - August 31 (Ending)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit H-3

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2018

	Internal Service Funds		Total Internal Service Funds
	753 Medical Insurance	756 Self-Insured Worker's Compensation	
ASSETS:			
Cash and Temporary Investments	\$ 196,149	\$ 9,300	\$ 205,449
Prepayments	45,437		45,437
Total Assets	\$ 241,586	\$ 9,300	\$ 250,886
LIABILITIES AND NET POSITION:			
Liabilities:			
Due to Other Funds	\$ 10,719		\$ 10,719
Net Position:			
Unrestricted Net Position	\$ 230,867	\$ 9,300	\$ 240,167

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit H-4

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2018

	Internal Service Funds		
	753	756	Total
	Medical	Self-Insured	Internal
	Insurance	Worker's	Service
		Compensation	Funds
OPERATING REVENUES:			
Employer Contributions	\$ 20,000	\$ 47,830	\$ 67,830
Employee Contributions	688,814		688,814
Interest Income	17	43	60
Total Operating Revenues	\$ 708,831	\$ 47,873	\$ 756,704
OPERATING EXPENSES:			
Fixed Costs and Insurance Premiums	\$ 725,401	\$ 12,830	\$ 738,231
Claims Paid	42,337	41,277	83,614
Total Operating Expenses	\$ 767,738	\$ 54,107	\$ 821,845
Change in Net Position	\$ (58,907)	\$ (6,234)	\$ (65,141)
Net Position - September 1 (Beginning)	289,774	15,534	305,308
Net Position - August 31 (Ending)	\$ 230,867	\$ 9,300	\$ 240,167

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit H-5

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
AUGUST 31, 2018

	Internal Service Funds		
	753	756	Total
	Self-Insured Medical Insurance	Self-Insured Worker's Compensation	Internal Service Funds
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities			
Cash Receipts from Charges to Other Funds	\$ 30,719	\$ 47,830	\$ 78,549
Cash Receipts from Employees	688,814		688,814
Interest Income	17	43	60
Cash Payments to Suppliers for Services	(813,175)	(54,107)	(867,282)
Net Cash from Operating Activities	\$ (93,625)	\$ (6,234)	\$ (99,859)
Net Change in Cash and Cash Equivalents	\$ (93,625)	\$ (6,234)	\$ (99,859)
Cash and Cash Equivalents at Beginning of the Year	289,774	15,534	305,308
Cash and Cash Equivalents at End of Year	\$ 196,149	\$ 9,300	\$ 205,449
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES			
Operating Loss	\$ (58,907)	\$ (6,234)	\$ (65,141)
Changes in Assets and Liabilities			
Increase in Prepayments	(45,437)		(45,437)
Increase in Due from Other Funds	10,719		10,719
Net Cash From Operating Activities	\$ (93,625)	\$ (6,234)	\$ (99,859)

Exhibit J-1

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018**

Last Ten Years Ended August 31	1		2		3 Assessed/ Appraised Value for School Tax Purposes	10 Beginning Balance 9/1/2017	20 Current Year's Total Levy	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2018	
	Tax Rates		Debt Service									
	Maintenance	Various	Various	Debt Service								
2008 and Prior Years	Various	Various	\$	Various	\$	34,360	\$	1,175	\$	4	\$	25,622
2009	1.04000	0.00000		1,548,255,786		5,951		249		(930)		4,772
2010	1.04000	0.00000		1,334,267,364		4,650		226		(2)		4,422
2011	1.04000	0.00000		1,394,595,630		8,243		160				8,083
2012	1.04000	0.00000		1,258,584,519		3,857		129				3,728
2013	1.04000	0.28000		1,289,545,705		124,876		466				124,285
2014	1.04000	0.28000		1,355,100,378		175,136		1,610				173,092
2015	1.04000	0.28000		1,954,533,598		222,296		3,088				218,377
2016	1.04000	0.28000		1,783,499,206		597,604		5,717				590,348
2017	1.04000	0.28000		1,726,734,777		552,624		23,620				580,915
2018 (School Year Under Audit)	1.04000	0.28000		2,790,772,877			36,838,202	28,605,803			(16)	530,821
1000	TOTALS				\$	1,729,597	\$	36,838,202	\$	7,710,854	\$	2,264,465

Tax Collection Summary:			
	Gen. Fund (M&O)	Debt Serv. Fund	Total
Base Tax Collections	\$ 28,642,243	\$ 7,710,854	\$ 36,353,097
Penalty and Interest	81,506	21,209	102,715
Total	\$ 28,723,749	\$ 7,732,063	\$ 36,455,812

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		1 Budgeted Amounts <u>Original</u>	2 <u>Amended</u>	3 <u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
Revenues:					
5700	Local and Intermediate	\$ 115,000	\$ 115,000	\$ 116,804	\$ 1,804
5800	State Program Revenues	10,500	10,500	9,364	(1,136)
5900	Federal Program Revenues	<u>81,187</u>	<u>81,187</u>	<u>89,182</u>	<u>7,995</u>
5020	Total Revenues	\$ <u>206,687</u>	\$ <u>206,687</u>	\$ <u>215,350</u>	\$ <u>8,663</u>
Expenditures:					
0035	Food Services	\$ <u>416,838</u>	\$ <u>372,710</u>	\$ <u>328,992</u>	\$ <u>43,718</u>
6030	Total Expenditures	\$ <u>416,838</u>	\$ <u>372,710</u>	\$ <u>328,992</u>	\$ <u>43,718</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ <u>(210,151)</u>	\$ <u>(166,023)</u>	\$ <u>(113,642)</u>	\$ <u>52,381</u>
Other Financing Sources:					
7915	Transfers In	\$ <u>225,000</u>	\$ <u>170,000</u>	\$ <u>113,642</u>	\$ <u>(56,358)</u>
1200	Net Change in Fund Balance	\$ 14,849	\$ 3,977	\$ 0	\$ (3,977)
0100	September 1 - Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
3000	August 31 - Fund Balance	\$ <u>14,849</u>	\$ <u>3,977</u>	\$ <u>0</u>	\$ <u>(3,977)</u>

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1 Budgeted Amounts		3	Variance With Final Budget Favorable (Unfavorable)
	Original	Amended	Actual	
Revenues:				
5700 Local and Intermediate	\$ 4,298,085	\$ 7,003,367	\$ 7,904,735	\$ 901,368
5020 Total Revenues	\$ 4,298,085	\$ 7,003,367	\$ 7,904,735	\$ 901,368
Expenditures:				
0071 Debt Service - Principal	\$ 2,515,000	\$ 2,595,000	\$ 2,505,000	\$ 90,000
0072 Debt Service - Interest	658,225	579,253	565,500	13,753
0073 Debt Service - Fees	1,000	5,000	1,500	3,500
6030 Total Expenditures	\$ 3,174,225	\$ 3,179,253	\$ 3,072,000	\$ 107,253
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,123,860	\$ 3,824,114	\$ 4,832,735	\$ 1,008,621
1200 Net Change in Fund Balance	\$ 1,123,860	\$ 3,824,114	\$ 4,832,735	\$ 1,008,621
0100 September 1 - Fund Balance	6,918,603	6,918,603	6,918,603	0
3000 August 31 - Fund Balance	\$ 8,042,463	\$ 10,742,717	\$ 11,751,338	\$ 1,008,621

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1054

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

Independent Auditor's Report

Board of School Trustees
Wink-Loving Independent School District
Wink, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wink-Loving Independent School District (the District) as of and for the year ended August 31, 2018, and related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wink-Loving Independent School District's internal control over financial reporting (internal control) to determine the auditing 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 Wink-Loving Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wink-Loving Independent School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wink-Loving Independent School 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 of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

November 5, 2018

WINK-LOVING INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018**

Current Year Findings –

None

Corrective Action Plan –

N/A

Status of Prior Year Findings –

N/A