

CERTIFICATE OF BOARD

Wharton Independent School District  
Name of School District

Wharton  
County

241-904  
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 23 day of April, 2019.

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

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

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

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## *Financial Section*

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**TRLICEK & CO., P.C.**  
P.O. BOX 817  
LA GRANGE, TEXAS 78945

**Independent Auditor's Report**

To the Board of Trustees  
Wharton Independent School District  
2100 North Fulton  
Wharton, Texas 77488

**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 the Wharton Independent School District ("the District") as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 Wharton Independent School District as of August 31, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wharton Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

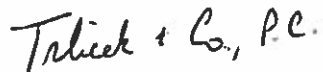
The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2019 on our consideration of Wharton Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Wharton Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Trlicek & Co., P.C.".

Trlicek & Co., P.C.

La Grange, Texas  
April 18, 2019

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# WHARTON INDEPENDENT SCHOOL DISTRICT

Board of Trustees  
Wharton Independent School District  
Wharton, Texas 77488

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Members of the Board:

We are pleased to submit to you the accompanying financial statements for the Wharton Independent School District as of and for the fiscal year ended August 31, 2018. These statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement Number 34.

This discussion and analysis of the Wharton Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2018. It should be read in conjunction with the District's financial statements, which begin on page 16 of this report.

## FINANCIAL HIGHLIGHTS

- The District's total combined net position decreased to \$10,507,557.
- The General Fund reported a fund balance of \$11,483,930 at August 31, 2018.
- The District's long-term debt (General Obligation Bonds) decreased by a total of \$695,000.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the fiduciary resources belong. This fund includes student activity funds.

*"Making a Difference"*

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

### **Government-Wide Financial Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current period's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets is the difference between the District's assets and liabilities and is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base, staffing patterns, enrollment and attendance.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration and plant operation and maintenance are included in *Government activities*. Locally assessed property taxes, together with State Foundation Program entitlements, which are based upon student enrollment and attendance, finance most of the government activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District but the District is responsible to properly account for them.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District serves as the trustee, or *fiduciary*, for certain funds such as scholarship and student activity funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its governmental operations.

#### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District’s combined net position were \$10,507,557 at August 31, 2018. This is a 35.83% decrease of \$5,865,825 from the prior year. This was mainly the result of a prior period adjustment to record Other Post-Employment Benefits Liability in accordance with GASB 75. *Table 1* focuses on the net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2018. The total cost of all programs increased 15.83% to \$28,782,861. The District’s expenses are predominantly related to educating and caring for students.

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

Description	Governmental Activities		Total Percentage Change 2018-2017
	2018	2017	
Current Assets	\$ 15,914,297	\$ 14,489,824	9.83%
Capital Assets	31,512,660	28,430,211	10.84%
Total Assets	47,426,957	42,920,035	10.50%
Current Liabilities	1,899,935	1,015,469	87.10%
Long-Term Liabilities	35,019,465	24,748,937	41.50%
Total Liabilities	36,919,400	25,764,406	43.30%
Net Position:			
Invested in Capital Assets	9,551,951	8,080,211	18.21%
Restricted	190,663	210,760	100.00%
Unrestricted	764,943	8,082,411	-90.54%
Total Net Position	\$ 10,507,557	\$ 16,373,382	-35.83%

**Table 2**  
**Changes in Net Position**

Description	Governmental Activities		Total Percentage Change 2018-2017
	2018	2017	
<b>Program Revenues:</b>			
Charges for Service	\$ 40,333	\$ 52,376	-22.99%
Operating Grants and Contributions	14,475,682	13,680,190	5.81%
General Revenues -			
Property Taxes	13,932,736	11,857,374	17.50%
Investment Earnings	209,334	86,751	141.30%
Insurance Recovery	2,499,310	-	100.00%
Other Revenues	219,310	350,628	-37.45%
Total Revenues	<u>31,376,705</u>	<u>26,027,319</u>	<u>20.55%</u>
<b>Program Expenditures</b>			
Instruction	13,675,698	12,537,024	9.08%
Instructional Resources and Media Services	682,559	611,091	11.70%
Curriculum and Staff Development	289,955	368,098	-21.23%
Instructional Leadership	275,691	337,565	-18.33%
School Leadership	1,577,252	1,544,237	2.14%
Guidance and Counseling	1,010,091	978,506	3.23%
Health Services	217,841	206,617	5.43%
Student Transportation	1,127,014	942,731	19.55%
Food Services	1,210,988	1,435,516	-15.64%
Extracurricular Activities	909,968	1,126,009	-19.19%
General Administration	891,304	898,326	-0.78%
Plant Operation and Maintenance	6,167,157	3,348,273	84.19%
Security and Monitoring Services	109,641	131,738	-16.77%
Data Processing Services	112,048	121,253	-7.59%
Community Services	-	10,061	-100.00%
Interest on Debt	725,388	998,497	-27.35%
Capital Outlay	254,654	2,371,450	-89.26%
Payment Related to Shared Service	648,125	614,119	5.54%
Other Intergovernmental Charges	225,043	200,250	100.00%
Bond Issuance Costs and Fees	1,500	1,500	0.00%
Total Expenses	<u>30,111,917</u>	<u>28,782,861</u>	<u>4.62%</u>
Excess (Deficiency ) Before Other Resources			
and Uses and Transfers	1,264,788	(2,755,542)	-145.90%
Other Resources (Uses) and Transfers In (Out)	-	-	0.00%
Increase (Decrease) in Net Position	<u>\$ 1,264,788</u>	<u>\$ (2,755,542)</u>	<u>-145.90%</u>

## Governmental Activities

Significant factors affecting the change in net position included:

- The District's tax rate remained at \$1.1971, but the total taxable valuation increased by a total of \$157,886,048. The net result was that total taxes assessed increased \$1,952,896.

The District records its expenses in various cost centers or "functions" in accordance with the requirements of the Texas Education Agency. *Table 3* presents the cost of each of the functions with the largest expense totals together with that function's net cost (total cost less fees and grants that are directly attributable to that function). The net cost of each function reflects what was funded primarily from state foundation program and tax revenues.

**Table 3**  
**Total and Net Cost of Selected District Functions**

Description	Total Cost of Services		Net of Cost of Services		
	2018	2017	2018	2017	% Change
Instruction	\$ 13,675,698	\$12,537,024	\$ 9,084,007	\$ 7,811,563	16.29%
Instructional Resources	682,559	611,091	362,585	331,767	9.29%
Plant Maintenance and Operation	6,167,157	3,348,273	4,738,596	1,964,287	141.24%
School Leadership	1,577,252	1,544,237	794,529	757,322	4.91%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the reporting period (August 31, 2018), the District's combined governmental funds (as presented in the balance sheet, Exhibit C-1 on page 18 of this report) reported a combined fund balance of \$11,905,424. This compares to a combined fund balance of \$10,835,193 at August 31, 2017.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost or value (if donated) on an amount determined by the Board. During the prior year ended August 31, the District adopted a new capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000, were deleted from the capital assets inventory.

At August 31, 2018, the District had a total of \$54,588,545 invested in capital assets such as land, buildings, vehicles and equipment. (See *Table A-4*.) The Texas Education Agency establishes the threshold for capital assets at \$5,000 and makes no distinction between buildings, personal property or vehicles. Buildings in this report have been reported according to the threshold established under TEA rule.

*Table 4* shows the classifications of capital assets together with the District's accumulated cost and depreciation of those assets.

**Table 4**  
**Net Capital Assets**

Asset Description	Governmental Activities		Total Percentage Change
	2018	2017	2018-2017
Land	\$ 379,632	\$ 379,632	0.00%
Buildings and Improvements	50,245,772	46,688,231	7.62%
Equipment	1,094,138	555,111	97.10%
Vehicles	2,869,003	2,645,050	8.47%
Total Historical Cost	54,588,545	50,268,024	8.59%
Accumulated Depreciation	(23,075,885)	(21,837,813)	5.67%
Net Capital Assets	\$ 31,512,660	\$ 28,430,211	10.84%

## Long Term Debt

At August 31, 2018, the District had one bond issue outstanding of which the unpaid principal totaled 19,655,000. Table 5 summarizes the District's outstanding debt at August 31, 2018. Also, at August 31, 2018, the District had \$4,188,201 in net pension liability and \$7,397,247 in net OPEB liability. This increase relates to the recording of the District's net pension liability related to the new standard GASB 68 and the initial recording of the District's net OPEB liability related to the new standard GASB 75. More detailed information about the District's debt obligations is presented in the notes to the financial statements.

**Table 5**  
**Analysis of Debt**

Description of Debt Outstanding	Governmental Activities		Total Percentage Change
	2018	2017	2018-2017
General Obligation Bonds	\$ 19,655,000	\$ 20,350,000	-3.42%
Net Pension Liability	4,188,201	4,398,937	-4.79%
Net Pension Liability	7,397,247	-	100.00%
Total Debt Outstanding	<u>\$ 31,240,448</u>	<u>\$ 24,748,937</u>	<u>26.23%</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND TAX RATES

After the 2015-16 budget was adopted, Texas voters approved Senate Bill 1 (SB1) which increased the local property tax homestead exemption from \$15,000 to \$25,000. This further decreased taxable values that had already shown a 7.2% decline. Freeze Adjusted Taxable Value for local tax collections decreased a combined \$81.93 million or 8.6%. At the state mandated compressed M&O tax rate of \$1.00 + .04 (allowed by law), this generated a decrease of \$964,474 in current year levy tax revenue. However, SB1 did include a provision to offset the loss of local tax revenue (due to the exemption increase) with an increase in state revenue.

After the 2014-15 budget was adopted, the District's largest taxpayer (a natural gas powered electric power generation plant) made a payment of \$4.43 million of tax revenue due to Wharton ISD. The payment was for equipment that had been removed from the tax roll beginning in 2008 while the state and courts made a final determination on whether or not the equipment qualified to be exempted from property tax. Of the \$4.43 million, \$3,756,410 went to the General Fund and \$676,461 went to the Interest & Sinking Fund.

The District's Board had already planned to spend \$2.8 million of General Fund Balance on capital improvements and equipment in 2014-15. After the additional \$4.43 million prior year tax revenue was received, the Board approved spending another \$1 million of these funds on capital improvements and equipment. At the end of 2014-15 fiscal year, the remaining balance of the \$4.43 million prior year tax revenue rolled into fund balance.

After the 2015-16 budget was adopted, the District's Board approved spending another \$750,000 of General Fund Balance on capital improvements, equipment and school buses.

In February 2006, the voters of the District approved a total amount of \$25,875,000 tax bonds for the construction of a new elementary campus and renovation of existing school facilities. The District sold \$18,000,000 principal amount of bonds in the 2005-06 fiscal year and the remaining \$7,875,000 was issued during the 2006-07 fiscal year.

By the end of the 2008-09 fiscal year, the District completed all original bond construction and renovation projects. Having built up a substantial General Fund fund balance, the District supplemented the remaining bond funds with fund balance and bond interest earnings to add to the original scope of bond project work. Using remaining bond funds/interest of \$511,892 and fund balance of \$198,891, a Phase 2 Construction Project was approved by the WISD Board in January 2010. All Phase 2 projects were completed in the fall of 2011.

In July 2013, the District refunded \$8,980,000 of the original bonds at a lower interest rate, saving the taxpayers \$994,369 in debt payments over time.

In March 2014, the District refunded another \$9,400,000 of the original bonds at a lower interest rate, saving the taxpayers another \$1,484,000 in debt payments over time.

In March 2016, the District refunded another \$3,225,000 of the original bonds at a lower interest rate. The District added a \$700,000 cash contribution from I&S fund balance, netting a combined savings to the taxpayers of another \$1,994,534 in debt payments over time.

The combined savings to the taxpayers of the three bond refundings is a total of \$4,472,903 in debt payments over time.

The District's total General Fund fund balance as of August 31, 2017 was \$10,315,171. This equates to over six months of operating expenditures.

For the 2016-17 budget, based on the 3 year increase in enrollment/ADA, enrollment was conservatively projected to remain stable. The ADA used to estimate state funding for 2016-17 was 2045.

For 2016-17, Freeze Adjusted Taxable Value for local tax collections increased by \$68.25 million or 7.8%. This was due largely to the first of a 3 year expansion to the natural gas powered electrical power plant. This generated an increase of \$408,877 in current year levy tax revenue for the adopted budget. The budget was adopted with a Maintenance & Operations (M&O) tax rate of \$1.03 and an Interest & Sinking (I&S) rate of \$.157.

In September 2016 after the budget was adopted, the District passed a Tax Ratification Election (TRE). The TRE allows the District to increase the M&O tax rate to the maximum of \$1.17, thus maximizing state and local revenue in 2016-17 and future years. The I&S tax rate was lowered an offsetting amount, so there was no net increase in the District's total tax rate of \$1.197. The TRE generated a net increase of an additional \$538,741 revenue compared to the adopted budget.

State Foundation Program revenue is based on a combination of local taxable values, ADA and FTE's of the special instructional arrangements of the student population. Numerous times over the years, state courts have ruled that the school funding system in the State of Texas is unconstitutional.

When the State Legislature cut \$5.4 billion from public school funding in 2011, school districts and other parties again filed a lawsuit claiming that the state is failing to live up to its constitutional obligation to provide an adequate public education to all students. In 2013, a state District Judge determined that the Texas school finance system is unconstitutional, but did not make a formal, final ruling. In 2013 the state Legislature restored \$3.4 billion of the 2011 funding cuts. In 2014, the state District Judge issued his final ruling, finding the system to be inequitable, unsuitable and inadequate in violation of the Texas Constitution. The state filed an appeal to the Texas Supreme Court. In 2016 the Court's ruling was that the state funding system is not unconstitutional, but urged "transformational top-to-bottom reforms." However, there was no court order directing the Legislature to fix any specific provisions in the system.

(In 2015 the state Legislature restored another \$1.2 billion of the 2011 funding cuts. However, public education has yet to reach the funding levels prior to the 2011 cuts.)

In the past, for state funding purposes, an increase in local tax revenue would result in an increase in local share and an offsetting decrease in state share of Tier I state aid. In 2012-13 Wharton ISD became a "formula district" and has since been able to realize any increase in local tax revenue without a decrease in state funding in the current year. (However, in years when local tax revenue decreases, there is also no offsetting increase in state funding.)

Wharton ISD became a Chapter 41 district for the first time in 2013-14, due to increasing taxable wealth per student (based on that year's state assigned property value). However, the District has been so marginally above the Chapter 41 equalized wealth threshold, there has been no recapture of state funding from the District. In 2016-17, the District fell out of Chapter 41 status (based on that year's state assigned property value). However, the aforementioned 3-year expansion of the local electrical power plant will certainly land the District back in Chapter 41 status for 2017-18. The possibility of recapture of state funding is unknown at this time.

The 2017-18 school year began with significant damage to the community and Wharton High School due to Hurricane Harvey. The District sustained physical damage to several buildings at Wharton High School and other buildings around the district. The state held harmless the District's ADA based on a 3 year average. The District saw a decrease in student enrollment of about 200 students. Property values actually increased slightly after Hurricane Harvey due to the increase values of the natural gas powered electrical power plant. These improvements served as an offset to decreasing residential property values as a result of the flood.

Property values in Wharton are likely to increase local industry expands plant production and a federally approved levy project will prevent future flooding of the Colorado River. The District passed a \$59,000,000 bond referendum in November 2018. With the school improvements to come and the improvements to infrastructure within the city of Wharton, the community is positioning itself for recovery after Hurricane Harvey.

In addition, with the home improvements promised to come to Wharton, Texas, the District is not anticipating the reduction in student enrollment to remain. If housing does make a comeback, displaced families may be able to return to the Wharton community. If housing does not return, the District may be faced with a student enrollment around 1800 – 1900. The District is taking steps to position itself for a stalled student enrollment by contracting with TASB to conduct a staffing allotment survey. In addition, the District is closely monitoring student enrollment and staff to student ratios.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students and creditors with a general overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Meyer, Deputy Superintendent.

Respectfully submitted,

Tina Herrington  
Superintendent

April 18, 2019

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## *Basic Financial Statements*

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**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2018**

Data Control Codes		1	Governmental Activities
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$	2,831,309
1120	Current Investments		9,776,193
1225	Property Taxes Receivable (Net)		635,630
1240	Due from Other Governments		1,128,241
1267	Due from Fiduciary		17,314
1300	Inventories		52,302
Capital Assets:			
1510	Land		379,632
1520	Buildings and Improvements, Net		29,415,069
1530	Furniture and Equipment, Net		1,717,959
1000	Total Assets		<u>45,953,649</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
1705	Deferred Outflow Related to Pensions		1,472,151
1706	Deferred Outflow Related to OPEB		1,157
	Total Deferred Outflows of Resources		<u>1,473,308</u>
<b>LIABILITIES:</b>			
2110	Accounts Payable		5,397
2165	Accrued Liabilities		1,862,884
2300	Unearned Revenue		31,654
Noncurrent Liabilities:			
2501	Due Within One Year		720,000
2502	Due in More Than One Year		18,935,000
2540	Net Pension Liability		4,188,201
2545	Other Post-Employment Benefits Liability		7,397,247
2000	Total Liabilities		<u>33,140,383</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
2605	Deferred Inflow Related to Pensions		684,735
2606	Deferred Inflow Related to OPEB		3,094,282
	Total Deferred Inflows of Resources		<u>3,779,017</u>
<b>NET POSITION:</b>			
3200	Net Investment in Capital Assets		9,551,951
Restricted For:			
3850	Debt Service		190,663
3900	Unrestricted		764,943
3000	Total Net Position	\$	<u>10,507,557</u>

The accompanying notes are an integral part of this statement.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Program Revenues Charges for Services	Operating Grants and Contributions	Governmental Activities
	<b>Governmental Activities:</b>				
11	Instruction	\$ 13,675,698	\$ --	\$ 4,591,691	\$ (9,084,007)
12	Instructional Resources and Media Services	682,559	--	319,974	(362,585)
13	Curriculum and Staff Development	289,955	--	107,242	(182,713)
21	Instructional Leadership	275,691	--	62,476	(213,215)
23	School Leadership	1,577,252	--	782,723	(794,529)
31	Guidance, Counseling, & Evaluation Services	1,010,091	--	204,971	(805,120)
33	Health Services	217,841	--	104,440	(113,401)
34	Student Transportation	1,127,014	--	425,662	(701,352)
35	Food Service	1,210,988	--	30,516	(1,180,472)
36	Cocurricular/Extracurricular Activities	909,968	40,333	364,959	(504,676)
41	General Administration	891,304	--	412,788	(478,516)
51	Facilities Maintenance and Operations	6,167,157	--	1,428,561	(4,738,596)
52	Security and Monitoring Services	109,641	--	51,428	(58,213)
53	Data Processing Services	112,048	--	51,508	(60,540)
72	Interest on Long-term Debt	725,388	--	--	(725,388)
73	Bond Issuance Costs and Fees	1,500	--	--	(1,500)
81	Capital Outlay	254,654	--	3,301	(251,353)
93	Payments Related to Shared Services Arrangements	648,125	--	246,755	(401,370)
99	Other Intergovernmental Charges	225,043	--	--	(225,043)
TG	Total Governmental Activities	<u>30,111,917</u>	<u>40,333</u>	<u>9,188,995</u>	<u>(20,882,589)</u>
TP	Total Primary Government	<u>\$ 30,111,917</u>	<u>\$ 40,333</u>	<u>\$ 9,188,995</u>	<u>(20,882,589)</u>
	<b>General Revenues:</b>				
MT	Property Taxes, Levied for General Purposes				13,605,641
DT	Property Taxes, Levied for Debt Service				327,095
IE	Investment Earnings				2,917,452
GC	Grants and Contributions Not Restricted to Specific Programs				5,077,879
MI	Miscellaneous				219,310
TR	Total General Revenues				<u>22,147,377</u>
CN	Change in Net Position				1,264,788
NB	Net Position - Beginning				16,373,382
	Prior Period Adjustment				(7,130,613)
	Net Position-Beginning Restated				<u>9,242,769</u>
NE	Net Position - Ending				<u>\$ 10,507,557</u>

The accompanying notes are an integral part of this statement.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AUGUST 31, 2018**

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ 2,312,332	\$ 518,977	\$ 2,831,309
1120 <i>Current Investments</i>	9,745,929	30,264	9,776,193
1225 <i>Taxes Receivable, Net</i>	635,630	--	635,630
1240 <i>Due from Other Governments</i>	846,636	281,605	1,128,241
1260 <i>Due from Other Funds</i>	159,337	--	159,337
1300 <i>Inventories</i>	21,326	30,976	52,302
1000 <b>Total Assets</b>	<u>13,721,190</u>	<u>861,822</u>	<u>14,583,012</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
2110 <i>Accounts Payable</i>	\$ --	\$ 5,397	\$ 5,397
2150 <i>Payroll Deductions &amp; Withholdings</i>	4,621	4,096	8,717
2160 <i>Accrued Wages Payable</i>	1,545,356	275,000	1,820,356
2170 <i>Due to Other Funds</i>	--	142,023	142,023
2200 <i>Accrued Expenditures</i>	19,999	13,812	33,811
2300 <i>Unearned Revenue</i>	667,284	--	667,284
2000 <b>Total Liabilities</b>	<u>2,237,260</u>	<u>440,328</u>	<u>2,677,588</u>
<b>FUND BALANCES:</b>			
<b>Nonspendable Fund Balances:</b>			
3410 <i>Inventories</i>	21,326	--	21,326
<b>Restricted Fund Balances:</b>			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	104,199	104,199
3480 <i>Retirement of Long-Term Debt</i>	--	190,663	190,663
3490 <i>Other Restrictions of Fund Balance</i>	--	126,632	126,632
<b>Committed Fund Balances:</b>			
3510 <i>Construction</i>	2,730,000	--	2,730,000
3530 <i>Capital Expenditures for Equipment</i>	750,000	--	750,000
<b>Assigned Fund Balances:</b>			
3590 <i>Other Assigned Fund Balance</i>	750,000	--	750,000
3600 <i>Unassigned</i>	7,232,604	--	7,232,604
3000 <b>Total Fund Balances</b>	<u>11,483,930</u>	<u>421,494</u>	<u>11,905,424</u>
4000 <b>Total Liabilities and Fund Balances</b>	<u>\$ 13,721,190</u>	<u>\$ 861,822</u>	<u>\$ 14,583,012</u>

The accompanying notes are an integral part of this statement.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2018**

Total fund balances - governmental funds balance sheet	\$ 11,905,424
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	31,512,660
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	635,630
Payables for bond principal which are not due in the current period are not reported in the funds.	(19,655,000)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(4,188,201)
Recognition of the District's proportionate share of the OPEB liability is not reported in the funds.	(7,397,247)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(684,735)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(3,094,282)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,472,151
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	1,157
Net position of governmental activities - Statement of Net Position	\$ <u>10,507,557</u>

The accompanying notes are an integral part of this statement.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 16,717,963	\$ 577,213	\$ 17,295,176
5800 <i>State Program Revenues</i>	8,653,945	1,309,549	9,963,494
5900 <i>Federal Program Revenues</i>	787,005	3,328,230	4,115,235
5020 <i>Total Revenues</i>	<u>26,158,913</u>	<u>5,214,992</u>	<u>31,373,905</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	10,398,202	2,777,054	13,175,256
0012 <i>Instructional Resources and Media Services</i>	666,980	15,579	682,559
0013 <i>Curriculum and Staff Development</i>	232,943	57,012	289,955
0021 <i>Instructional Leadership</i>	109,828	165,863	275,691
0023 <i>School Leadership</i>	1,540,869	36,383	1,577,252
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	400,943	609,148	1,010,091
0033 <i>Health Services</i>	217,841	--	217,841
0034 <i>Student Transportation</i>	1,124,994	2,020	1,127,014
0035 <i>Food Service</i>	--	1,210,988	1,210,988
0036 <i>Cocurricular/Extracurricular Activities</i>	906,260	3,708	909,968
0041 <i>General Administration</i>	888,454	2,850	891,304
0051 <i>Facilities Maintenance and Operations</i>	6,162,546	4,611	6,167,157
0052 <i>Security and Monitoring Services</i>	109,641	--	109,641
0053 <i>Data Processing Services</i>	112,048	--	112,048
0071 <i>Principal on Long-term Debt</i>	--	695,000	695,000
0072 <i>Interest on Long-term Debt</i>	--	725,388	725,388
0073 <i>Bond Issuance Costs and Fees</i>	1,500	--	1,500
0081 <i>Capital Outlay</i>	240,345	--	240,345
0093 <i>Payments to Shared Service Arrangements</i>	575,133	72,992	648,125
0099 <i>Other Intergovernmental Charges</i>	225,043	--	225,043
6030 <i>Total Expenditures</i>	<u>23,913,570</u>	<u>6,378,596</u>	<u>30,292,166</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>2,245,343</u>	<u>(1,163,604)</u>	<u>1,081,739</u>
Other Financing Sources and (Uses):			
7912 <i>Sale of Real or Personal Property</i>	2,800	--	2,800
7915 <i>Transfers In</i>	--	1,065,075	1,065,075
8911 <i>Transfers Out</i>	(1,065,075)	--	(1,065,075)
8949 <i>Other Uses</i>	(14,309)	--	(14,309)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>(1,076,584)</u>	<u>1,065,075</u>	<u>(11,509)</u>
1200 <i>Net Change in Fund Balances</i>	<u>1,168,759</u>	<u>(98,529)</u>	<u>1,070,230</u>
0100 <i>Fund Balances - Beginning</i>	10,315,171	520,023	10,835,194
3000 <i>Fund Balances - Ending</i>	<u>\$ 11,483,930</u>	<u>\$ 421,494</u>	<u>\$ 11,905,424</u>

The accompanying notes are an integral part of this statement.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Net change in fund balances - total governmental funds	\$ 1,070,230
Amounts reported for governmental activities in the Statement of Activities are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,238,063)
Repayment of bond principal is an expenditure in the funds but is not an expense in SOA.	695,000
Capital outlays are not reported as an expense in SOA.	4,320,521
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(209,906)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(3,372,994)
Change in net position of governmental activities - Statement of Activities	\$ <u>1,264,788</u>

The accompanying notes are an integral part of this statement.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**AUGUST 31, 2018**

Data Control Codes	Nonexpendable Trust Fund	Expendable Trust Fund	Agency Funds
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>		--	149,838
1800 <i>Restricted Assets</i>	40,000	55,354	--
1000 <i>Total Assets</i>	<u>40,000</u>	<u>55,354</u>	<u>149,838</u>
<b>LIABILITIES:</b>			
<i>Current Liabilities:</i>			
2170 <i>Due to Other Funds</i>		--	17,314
2190 <i>Due to Student Groups</i>		--	132,524
2000 <i>Total Liabilities</i>		<u>--</u>	<u>149,838</u>
<b>NET POSITION:</b>			
3800 <i>Held in Trust</i>	40,000	55,354	--
3000 <i>Total Net Position</i>	<u>40,000</u>	<u>55,354</u>	<u>--</u>

The accompanying notes are an integral part of this statement.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

	Nonexpendable Trust Fund	Expendable Trust Fund
<b>Additions:</b>		
Investment Income	\$ 240	\$ 229
Gifts and Bequests	--	4,030
Transfers In	--	240
Total Additions	<u>240</u>	<u>4,499</u>
<b>Deductions:</b>		
Scholarship Awards	--	8,250
Transfers Out	240	--
Total Deductions	<u>240</u>	<u>8,250</u>
<b>Change in Net Position</b>	--	(3,751)
Net Position-Beginning of the Year	40,000	59,105
Net Position-End of the Year	<u>\$ 40,000</u>	<u>\$ 55,354</u>

The accompanying notes are an integral part of this statement.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**A. Summary of Significant Accounting Policies**

The basic financial statements of Wharton Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

The District reports the following major governmental funds:

**General Fund:** This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

In addition, the District reports the following fund types:

**Private-Purpose Trust Funds:** These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

**b. Measurement Focus, Basis of Accounting**

**Government-wide and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State 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 are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**3. Financial Statement Amounts**

**a. 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 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. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**b. Inventories and Prepaid Items**

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**c. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

e. Receivable and Payable Balances

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

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

**Unassigned Fund Balance** - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**4. 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' 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.

**5. New Accounting Standards Adopted**

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

*Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 75.

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

**2. Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
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**C. Deposits and Investments**

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

**1. Cash Deposits:**

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$ 12,852,694 and the bank balance was \$ 13,151,949. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**2. Investments:**

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	\$ 308,619
TexPool	N/A	9,467,574
Total Investments		<u>\$ 9,776,193</u>

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
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**3. Analysis of Specific Deposit and Investment Risks**

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

**a. Credit Risk**

Credit risk is 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 year end, the District was not significantly exposed to credit risk.

At August 31, 2018, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

**b. Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

**c. Concentration of Credit Risk**

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

**d. Interest Rate Risk**

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

**e. Foreign Currency Risk**

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

**Investment Accounting Policy**

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "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 investments 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 ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

**Lone Star**

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government Overnight, Corporate Overnight and Corporate Overnight Plus maintain a net asset value of one dollar.

**TexPool**

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org).

# WHARTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

### D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 379,632	\$ --	\$ --	\$ 379,632
Total capital assets not being depreciated	379,632	--	--	379,632
<i>Capital assets being depreciated:</i>				
Buildings and improvements	46,688,231	3,557,541	--	50,245,772
Equipment	555,111	539,027	--	1,094,138
Vehicles	2,645,050	223,953	--	2,869,003
Total capital assets being depreciated	49,888,392	4,320,521	--	54,208,913
Less accumulated depreciation for:				
Buildings and improvements	(19,830,479)	(1,000,219)	5	(20,830,703)
Equipment	(395,285)	(48,362)	3	(443,650)
Vehicles	(1,612,049)	(189,482)	1	(1,801,532)
Total accumulated depreciation	(21,837,813)	(1,238,063)	9	(23,075,885)
Total capital assets being depreciated, net	28,050,579	3,082,458	9	31,133,028
Governmental activities capital assets, net	\$ 28,430,211	\$ 3,082,458	\$ 9	\$ 31,512,660

Depreciation was charged to functions as follows:

Instruction	\$ 538,191
Instructional Resources and Media Services	53,225
Curriculum and Staff Development	17,851
School Leadership	21,521
Guidance, Counseling, & Evaluation Services	7,067
Health Services	6,820
Student Transportation	185,169
Food Services	57,709
Extracurricular Activities	67,123
Plant Maintenance and Operations	254,733
Security and Monitoring Services	26,661
Data Processing Services	1,993
	<u>\$ 1,238,063</u>

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2018, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 142,023	Short-term loans
General Fund	Agency Fund	17,314	Short-term loans
	Total	<u>\$ 159,337</u>	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

Transfers to and from other funds at August 31, 2018, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Debt service fund	\$ 1,065,075	Provide resources for repayment of general obligation bonds
	Total	<u>\$ 1,065,075</u>	

**F. Short-Term Debt Activity**

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

**G. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
General obligation bonds	\$ 20,350,000	\$ --	\$ 695,000	\$ 19,655,000	\$ 720,000
Net Pension Liability *	4,398,937	--	210,736	4,188,201	--
Total governmental activities	<u>\$ 24,748,937</u>	<u>\$ --</u>	<u>\$ 905,736</u>	<u>\$ 23,843,201</u>	<u>\$ 720,000</u>

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Debt Service Requirements**

Debt service requirements on long-term debt at August 31, 2018, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 720,000	\$ 695,325	\$ 1,415,325
2020	760,000	663,850	1,423,850
2021	790,000	630,881	1,420,881
2022	825,000	596,888	1,421,888
2023	860,000	561,762	1,421,762
2024-2028	4,800,000	2,314,344	7,114,344
2029-2033	5,685,000	1,410,437	7,095,437
2034-2038	5,215,000	378,813	5,593,813
Totals	<u>\$ 19,655,000</u>	<u>\$ 7,252,300</u>	<u>\$ 26,907,300</u>

Interest on the Unlimited Tax School Building Bonds is paid at interest rates of 3.00%-4.75%. The interest rate paid during the current fiscal year was 4.00%.

**H. Risk Management**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**I. Pension Plan**

**1. Plan Description**

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

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

**2. Pension Plan Fiduciary Net Position**

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

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

**4. Contributions**

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

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

<b><u>Contribution Rates</u></b>		
	<b><u>2017</u></b>	<b><u>2018</u></b>
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
 District's 2018 Employer Contributions	 \$ 203,461	
District's 2018 Member Contributions	\$ 1,036,474	
NECE 2017 On-Behalf Contributions to District	\$ 661,716	

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).

## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

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

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

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

- When employing a retiree of 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 instructional or administrative employees; and 100% of the state contribution rate for all other employees.

#### 5. Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. Discount Rate**

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

<b>Teacher Retirement System of Texas</b> <b>Asset Allocation and Long-Term Expected Real Rate of Return</b> <b>As of August 31, 2017</b>			
<b>Asset Class</b>	<b>Target Allocation*</b>	<b>Long-term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-term Portfolio Returns **</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources <sup>1</sup>	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns

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

## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

#### 7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 7,060,479	\$ 4,188,201	\$ 1,796,563

#### 8. 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 \$4,188,201 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	\$ 4,188,201
State's proportionate share that is associated with District	6,469,299
Total	<u>\$ 10,657,500</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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0130985%, which was an increase (decrease) of 0.0130985% from its proportion measured as of August 31, 2016.

**Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions of 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 \$493,452 and revenue of \$493,452 for support provided by the State.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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At August 31, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:  
(The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 61,275	\$ 225,864
Changes in actuarial assumptions	190,779	109,217
Difference between projected and actual investment earnings	--	305,227
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	1,016,636	44,427
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>203,461</u>	<u>--</u>
Total	<u>\$ 1,472,151</u>	<u>\$ 684,735</u>

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

Year Ended August 31	Pension Expense Amount
2019	\$ 78,647
2020	\$ 345,991
2021	\$ 58,107
2022	\$ (19,901)
2023	\$ 68,557
Thereafter	\$ 52,556

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
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**J. Defined Other Post-Employment Benefit Plans**

**1. 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.

**2. OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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>Total</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 a percentage of total OPEB liability	0.91%

**3. Benefits Provided**

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

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of 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.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

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:

Monthly TRS-Care Plan Premium Rates Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ --	\$ 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

**4. 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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%

Current fiscal year District contributions	\$	100,978
Current fiscal year Member contributions	\$	87,511
2017 measurement year NECE contributions	\$	--

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether 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 NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**5. 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 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	

**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

\*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

\*\*Includes inflation at 2.50%

\*\*\*Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and 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 not to 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.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 8,730,588	\$ 7,397,247	\$ 6,325,541

8. 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 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 6,158,947	\$ 7,397,247	\$ 9,022,052

9. 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 \$7,397,247 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	\$ 7,397,247
State's proportionate share that is associated with the District	\$ 10,079,874
Total	\$ 17,477,121

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 District's proportion of the net OPEB liability was based on the District's contributions to their OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0170105.

Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016.

The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and therefore, disregarded this year.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

10. Changes Since the Prior Actuarial Valuation.

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

- a. Significant plan changes were adopted during the fiscal year ending August 31, 2017. 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.
- b. 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.
- c. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered total OPEB liability.

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- a. 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- b. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- c. 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 provision 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 of \$(3,372,994) and revenue of \$(3,372,994) for support provided by the State.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

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 other post-employment benefits from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ --	\$ 154,423
Changes in actuarial assumptions	--	2,939,859
Differences between projected and actual investment earnings	1,124	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	33	--
Contributions paid to TRS subsequent to the measurement date	910	
	<u>\$ 1,157</u>	<u>3,094,282</u>

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

Year ended August 31,	Amount
2019	\$ (408,141)
2020	\$ (408,141)
2021	\$ (408,141)
2022	\$ (408,141)
2023	\$ (408,422)
Thereafter	\$ (1,052,140)

**K. Employee Health Care Coverage**

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$200 per pay period per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, and the terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the are available for the year ended December 31, 2017,, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2018

#### L. Commitments and Contingencies

##### 1. Contingencies

The District participates in 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 collectibility 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 basic financial statements for such contingencies.

##### 2. Litigation

No reportable litigation was pending against the District at August 31, 2018.

#### M. Shared Services Arrangements

##### Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Wharton ISD	\$ 575,133
Boling ISD	220,076
East Bernard ISD	196,570
Total	<u>\$ 991,779</u>

#### N. Restatement of Net Position

During the year, the District implements Governmental Accounting Standards Board Statement No. 75-Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions ("GASB-75"). The primary objective of GASB-75 is to improve the accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits, or OPEB).

In the year of implementation, GASB-75 requires a retroactive restatement of prior periods to reflect the effect on net position as if the standard had been in effect in prior years. As such, the effect on beginning net position was a decrease of \$7,130,613.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**EXHIBIT G-1**  
Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 12,521,663	\$ 15,964,274	\$ 16,717,963	\$ 753,689
5800	State Program Revenues	8,553,071	8,553,071	8,653,945	100,874
5900	Federal Program Revenues	95,224	95,224	787,005	691,781
5020	Total Revenues	21,169,958	24,612,569	26,158,913	1,546,344
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	10,046,528	10,485,850	10,398,202	87,648
0012	Instructional Resources and Media Services	664,130	700,766	666,980	33,786
0013	Curriculum and Staff Development	254,371	254,371	232,943	21,428
	Total Instruction & Instr. Related Services	10,945,029	11,440,987	11,298,125	142,862
	Instructional and School Leadership:				
0021	Instructional Leadership	148,697	148,697	109,828	38,869
0023	School Leadership	1,529,444	1,541,444	1,540,869	575
	Total Instructional & School Leadership	1,678,141	1,690,141	1,650,697	39,444
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	424,181	424,181	400,943	23,238
0033	Health Services	210,956	220,956	217,841	3,115
0034	Student (Pupil) Transportation	1,433,586	1,365,763	1,124,994	240,769
0035	Food Services	15,300	15,300	--	15,300
0036	Cocurricular/Extracurricular Activities	865,568	991,559	906,260	85,299
	Total Support Services - Student (Pupil)	2,949,591	3,017,759	2,650,038	367,721
	Administrative Support Services:				
0041	General Administration	960,047	965,739	888,454	77,285
	Total Administrative Support Services	960,047	965,739	888,454	77,285
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	3,181,553	6,196,333	6,162,546	33,787
0052	Security and Monitoring Services	109,150	109,650	109,641	9
0053	Data Processing Services	151,752	151,752	112,048	39,704
	Total Support Services - Nonstudent Based	3,442,455	6,457,735	6,384,235	73,500
	Debt Service:				
0073	Bond Issuance Costs and Fees	--	2,500	1,500	1,000
	Total Debt Service	--	2,500	1,500	1,000
	Capital Outlay:				
0081	Capital Outlay	439,000	271,759	240,345	31,414
	Total Capital Outlay	439,000	271,759	240,345	31,414

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**EXHIBIT G-1**  
**Page 2 of 2**

		1	2	3	Variance with Final Budget Positive (Negative)
Data Control Codes		Budgeted Amounts		Actual	
		Original	Final		
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	525,695	575,133	575,133	--
0099	Other Intergovernmental Charges	230,000	230,000	225,043	4,957
	Total Intergovernmental Charges	755,695	805,133	800,176	4,957
6030	Total Expenditures	21,169,958	24,651,753	23,913,570	738,183
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(39,184)	2,245,343	2,284,527
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	--	2,800	2,800
8911	Transfers Out	--	(1,065,081)	(1,065,075)	6
8949	Other Uses	--	(14,000)	(14,309)	(309)
7080	Total Other Financing Sources and (Uses)	--	(1,079,081)	(1,076,584)	2,497
1200	Net Change in Fund Balance	--	(1,118,265)	1,168,759	2,287,024
0100	Fund Balance - Beginning	10,315,171	10,315,171	10,315,171	--
3000	Fund Balance - Ending	\$ 10,315,171	\$ 9,196,906	\$ 11,483,930	\$ 2,287,024

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**TEACHERS RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0130985%	0.0116409%	0.0123346%	0.8469600%	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 4,188,201	\$ 4,398,937	\$ 4,360,117	\$ 2,262,347	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	6,469,299	7,716,776	7,730,265	6,671,691	--	--	--	--	--	--
<b>Total</b>	<b>\$ 10,657,500</b>	<b>\$ 12,115,713</b>	<b>\$ 12,090,382</b>	<b>\$ 8,934,038</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
District's covered-employee payroll	\$ 13,466,446	\$ 13,523,052	\$ 12,450,291	\$ 12,444,224	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.10%	32.53%	35.02%	18.18%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	60.70%	63.69%	78.43%	83.25%	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**TEACHERS RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 203,461	\$ 206,563	\$ 206,928	\$ 202,446	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(203,461)	(206,563)	(206,928)	(202,446)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 13,466,446	\$ 13,523,052	\$ 12,450,291	\$ 12,444,224	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	1.51%	1.53%	1.66%	1.63%	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE**  
**SHARE OF THE NET OPEB LIABILITY**  
**TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN**  
**LAST TEN FISCAL YEARS \***

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the collective net OPEB liability	0.0170105%	--	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 7,397,247	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	\$ 10,079,874	\$ 1	\$ 1	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total	<u>\$ 17,477,121</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 11,380,380	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	65.00%	--	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	--	--	--	--	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS**  
**TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN**  
**LAST TEN FISCAL YEARS \***

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily or contractually required District contribution	\$ 100,978	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	100,978	--	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 11,380,380	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.89%	--	--	--	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**Budget**

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. 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 after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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 end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

**Defined Benefit Pension Plan**

*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 of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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## *Combining Statements and Budget Comparisons as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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**WHARTON INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS****AUGUST 31, 2018**

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ 358,578	\$ 160,399	\$ 518,977
1120 <i>Current Investments</i>	--	30,264	30,264
1240 <i>Due from Other Governments</i>	281,605	--	281,605
1300 <i>Inventories</i>	30,976	--	30,976
1000 <b>Total Assets</b>	<u>671,159</u>	<u>190,663</u>	<u>861,822</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 5,397	\$ --	\$ 5,397
2150 <i>Payroll Deductions &amp; Withholdings</i>	4,096	--	4,096
2160 <i>Accrued Wages Payable</i>	275,000	--	275,000
2170 <i>Due to Other Funds</i>	142,023	--	142,023
2200 <i>Accrued Expenditures</i>	13,812	--	13,812
2000 <b>Total Liabilities</b>	<u>440,328</u>	<u>--</u>	<u>440,328</u>
<b>FUND BALANCES:</b>			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	104,199	--	104,199
3480 <i>Retirement of Long-Term Debt</i>	--	190,663	190,663
3490 <i>Other Restrictions of Fund Balance</i>	126,632	--	126,632
3000 <b>Total Fund Balances</b>	<u>230,831</u>	<u>190,663</u>	<u>421,494</u>
4000 <b>Total Liabilities and Fund Balances</b>	<u>\$ 671,159</u>	<u>\$ 190,663</u>	<u>\$ 861,822</u>

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**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 246,891	\$ 330,322	\$ 577,213
5800 <i>State Program Revenues</i>	1,304,655	4,894	1,309,549
5900 <i>Federal Program Revenues</i>	3,328,230	--	3,328,230
5020 <i>Total Revenues</i>	<u>4,879,776</u>	<u>335,216</u>	<u>5,214,992</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	2,777,054	--	2,777,054
0012 <i>Instructional Resources and Media Services</i>	15,579	--	15,579
0013 <i>Curriculum and Staff Development</i>	57,012	--	57,012
0021 <i>Instructional Leadership</i>	165,863	--	165,863
0023 <i>School Leadership</i>	36,383	--	36,383
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	609,148	--	609,148
0034 <i>Student Transportation</i>	2,020	--	2,020
0035 <i>Food Service</i>	1,210,988	--	1,210,988
0036 <i>Cocurricular/Extracurricular Activities</i>	3,708	--	3,708
0041 <i>General Administration</i>	2,850	--	2,850
0051 <i>Facilities Maintenance and Operations</i>	4,611	--	4,611
0071 <i>Principal on Long-term Debt</i>	--	695,000	695,000
0072 <i>Interest on Long-term Debt</i>	--	725,388	725,388
0093 <i>Payments to Shared Service Arrangements</i>	72,992	--	72,992
6030 <i>Total Expenditures</i>	<u>4,958,208</u>	<u>1,420,388</u>	<u>6,378,596</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(78,432)</u>	<u>(1,085,172)</u>	<u>(1,163,604)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	1,065,075	1,065,075
7080 <i>Total Other Financing Sources and (Uses)</i>	--	1,065,075	1,065,075
1200 <i>Net Change in Fund Balances</i>	<u>(78,432)</u>	<u>(20,097)</u>	<u>(98,529)</u>
0100 <i>Fund Balances - Beginning</i>	309,263	210,760	520,023
3000 <i>Fund Balances - Ending</i>	<u>\$ 230,831</u>	<u>\$ 190,663</u>	<u>\$ 421,494</u>

# WHARTON INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2018

Data Control Codes	211 ESEA Title I Improving Basic Programs	226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	242 Summer Feeding Program
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ --	\$ --	\$ 104,600	\$ 20,560
1240 Due from Other Governments	57,669	6,816	--	--
1300 Inventories	--	--	30,976	--
1000 Total Assets	<u>57,669</u>	<u>6,816</u>	<u>135,576</u>	<u>20,560</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ --	\$ --	\$ --	\$ --
2150 Payroll Deductions & Withholdings	--	--	(2,120)	3,649
2160 Accrued Wages Payable	45,827	--	49,417	--
2170 Due to Other Funds	7,235	6,816	--	--
2200 Accrued Expenditures	4,607	--	991	--
2000 Total Liabilities	<u>57,669</u>	<u>6,816</u>	<u>48,288</u>	<u>3,649</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	87,288	16,911
3490 Other Restrictions of Fund Balance	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>87,288</u>	<u>16,911</u>
4000 Total Liabilities and Fund Balances	<u>\$ 57,669</u>	<u>\$ 6,816</u>	<u>\$ 135,576</u>	<u>\$ 20,560</u>

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	270 ESEA, Title VI Part B, Subpart 2 Rural School	289 Federally Funded Special Revenue
\$ --	\$ --	\$ --	\$ --	\$ --
21,223	18,446	2,133	1,200	--
--	--	--	--	--
<u>21,223</u>	<u>18,446</u>	<u>2,133</u>	<u>1,200</u>	<u>--</u>
\$ 5,397	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
15,826	18,446	2,133	1,200	--
--	--	--	--	--
<u>21,223</u>	<u>18,446</u>	<u>2,133</u>	<u>1,200</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>21,223</u>	<u>18,446</u>	<u>2,133</u>	<u>1,200</u>	<u>--</u>

**WHARTON INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****AUGUST 31, 2018**

Data Control Codes		313	314	410
		IDEA-B Formula	IDEA-B Preschool	State Textbook Fund
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ --
1240	Due from Other Governments	169,688	3,310	--
1300	Inventories	--	--	--
1000	Total Assets	<u>169,688</u>	<u>3,310</u>	<u>--</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ --
2150	Payroll Deductions & Withholdings	--	--	--
2160	Accrued Wages Payable	74,644	1,996	--
2170	Due to Other Funds	88,433	1,111	--
2200	Accrued Expenditures	6,611	203	--
2000	Total Liabilities	<u>169,688</u>	<u>3,310</u>	<u>--</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	--
3490	Other Restrictions of Fund Balance	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 169,688</u>	<u>\$ 3,310</u>	<u>\$ --</u>

## EXHIBIT H-3

Page 2 of 2

429 State Funded Special Revenue Fund	437 Special Education	461 Campus Activity Funds	499 Wharton County Community Foundation	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ 158,282	\$ 38,614	\$ 36,522	\$ 358,578
1,120	--	--	--	281,605
--	--	--	--	30,976
<u>1,120</u>	<u>158,282</u>	<u>38,614</u>	<u>36,522</u>	<u>671,159</u>
\$ --	\$ --	\$ --	\$ --	\$ 5,397
297	2,270	--	--	4,096
--	103,116	--	--	275,000
823	--	--	--	142,023
--	1,400	--	--	13,812
<u>1,120</u>	<u>106,786</u>	<u>--</u>	<u>--</u>	<u>440,328</u>
--	--	--	--	104,199
--	51,496	38,614	36,522	126,632
--	51,496	38,614	36,522	230,831
<u>\$ 1,120</u>	<u>\$ 158,282</u>	<u>\$ 38,614</u>	<u>\$ 36,522</u>	<u>\$ 671,159</u>

# WHARTON INDEPENDENT SCHOOL DISTRICT

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		211 ESEA Title I Improving Basic Programs	226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	242 Summer Feeding Program
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ 74,248	\$ --
5800	State Program Revenues	--	--	36,836	--
5900	Federal Program Revenues	571,035	606,318	1,046,830	--
5020	Total Revenues	<u>571,035</u>	<u>606,318</u>	<u>1,157,914</u>	<u>--</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	570,887	606,318	--	--
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	--	--	--	--
0021	Instructional Leadership	148	--	--	--
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	--
0034	Student Transportation	--	--	--	--
0035	Food Service	--	--	1,194,919	16,069
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0041	General Administration	--	--	--	--
0051	Facilities Maintenance and Operations	--	--	--	--
0093	Payments to Shared Service Arrangements	--	--	--	--
6030	Total Expenditures	<u>571,035</u>	<u>606,318</u>	<u>1,194,919</u>	<u>16,069</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	(37,005)	(16,069)
1200	Net Change in Fund Balances	--	--	(37,005)	(16,069)
0100	Fund Balances - Beginning	--	--	124,293	32,980
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 87,288</u>	<u>\$ 16,911</u>

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	270 ESEA, Title VI Part B, Subpart 2 Rural School	289 Federally Funded Special Revenue
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
24,518	77,394	2,133	39,841	7,374
<u>24,518</u>	<u>77,394</u>	<u>2,133</u>	<u>39,841</u>	<u>7,374</u>
23,654	27,796	2,133	39,841	2,374
--	--	--	--	--
864	46,148	--	--	--
--	--	--	--	--
--	600	--	--	--
--	--	--	--	5,000
--	--	--	--	--
--	--	--	--	--
--	2,850	--	--	--
--	--	--	--	--
<u>24,518</u>	<u>77,394</u>	<u>2,133</u>	<u>39,841</u>	<u>7,374</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Data Control Codes	313 IDEA-B Formula	314 IDEA-B Preschool	410 State Textbook Fund
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	226,411
5900 <i>Federal Program Revenues</i>	930,857	21,930	--
5020 <i>Total Revenues</i>	<u>930,857</u>	<u>21,930</u>	<u>226,411</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	558,711	21,930	226,411
0012 <i>Instructional Resources and Media Services</i>	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	--
0021 <i>Instructional Leadership</i>	--	--	--
0023 <i>School Leadership</i>	--	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	372,146	--	--
0034 <i>Student Transportation</i>	--	--	--
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0041 <i>General Administration</i>	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	--
6030 <i>Total Expenditures</i>	<u>930,857</u>	<u>21,930</u>	<u>226,411</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>	--	--	--
1100 <i>Expenditures</i>	--	--	--
1200 <i>Net Change in Fund Balances</i>	--	--	--
0100 <i>Fund Balances - Beginning</i>	--	--	--
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

## EXHIBIT H-4

Page 2 of 2

429 State Funded Special Revenue Fund	437 Special Education	461 Campus Activity Funds	499 Wharton County Community Foundation	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ 5,780	\$ 77,188	\$ 89,675	\$ 246,891
4,381	1,037,000	--	27	1,304,655
--	--	--	--	3,328,230
<u>4,381</u>	<u>1,042,780</u>	<u>77,188</u>	<u>89,702</u>	<u>4,879,776</u>
3,893	584,185	22,741	86,180	2,777,054
488	--	15,091	--	15,579
--	--	--	10,000	57,012
--	165,715	--	--	165,863
--	--	35,783	--	36,383
--	232,002	--	--	609,148
--	2,020	--	--	2,020
--	--	--	--	1,210,988
--	--	3,708	--	3,708
--	--	--	--	2,850
--	4,611	--	--	4,611
--	72,992	--	--	72,992
<u>4,381</u>	<u>1,061,525</u>	<u>77,323</u>	<u>96,180</u>	<u>4,958,208</u>
--	(18,745)	(135)	(6,478)	(78,432)
--	(18,745)	(135)	(6,478)	(78,432)
--	70,241	38,749	43,000	309,263
<u>\$ --</u>	<u>\$ 51,496</u>	<u>\$ 38,614</u>	<u>\$ 36,522</u>	<u>\$ 230,831</u>

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**AUGUST 31, 2018**

Data Control Codes	863 Payroll Clearing	865 Student Activity	Total Agency Funds (See Exhibit E-1)
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ 17,314	\$ 132,524	\$ 149,838
1000 <i>Total Assets</i>	<u>17,314</u>	<u>132,524</u>	<u>149,838</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2170 <i>Due to Other Funds</i>	\$ 17,314	\$ --	\$ 17,314
2190 <i>Due to Student Groups</i>	--	132,524	132,524
2000 <i>Total Liabilities</i>	<u>17,314</u>	<u>132,524</u>	<u>149,838</u>
<b>NET POSITION:</b>			
3000 <i>Total Net Position</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**WHARTON INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2018**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2009 and Prior Years	\$	Various	\$	Various	\$	Various
2010		1.04		.1966		860,506,085
2011		1.0401		.1962		865,329,135
2012		1.0401		.2003		849,208,543
2013		1.0401		.1859		918,098,031
2014		1.0401		.1748		958,224,134
2015		1.0401		.157		1,003,410,826
2016		1.0401		.157		912,298,722
2017		1.17		.027		988,205,514
2018 (School Year Under Audit)		1.17		.027		1,146,091,562

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

## EXHIBIT J-1

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
\$ 208,588	\$ --	\$ 5,980	\$ 206	\$ (15,170)	\$ 187,232
15,232	--	522	99	(833)	13,778
21,957	--	631	119	(1,439)	19,768
26,583	--	3,776	727	(916)	21,164
39,130	--	6,696	1,197	(1,018)	30,219
47,914	--	10,418	1,751	(1,580)	34,165
73,182	--	15,158	2,288	(5,808)	49,928
98,652	--	32,126	4,850	(2,167)	59,509
279,834	--	180,178	4,158	23,015	118,513
--	13,781,716	13,178,078	304,109	(39,268)	260,261
<u>\$ 811,072</u>	<u>\$ 13,781,716</u>	<u>\$ 13,433,563</u>	<u>\$ 319,504</u>	<u>\$ (45,184)</u>	<u>\$ 794,537</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**EXHIBIT J-2**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 102,000	\$ 74,248	\$ (27,752)
5800 <i>State Program Revenues</i>	28,000	36,836	8,836
5900 <i>Federal Program Revenues</i>	1,065,347	1,046,830	(18,517)
5020 <b>Total Revenues</b>	<u>1,195,347</u>	<u>1,157,914</u>	<u>(37,433)</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	1,195,347	1,194,919	428
<b>Total Support Services - Student (Pupil)</b>	<u>1,195,347</u>	<u>1,194,919</u>	<u>428</u>
6030 <b>Total Expenditures</b>	<u>1,195,347</u>	<u>1,194,919</u>	<u>428</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	--	(37,005)	(37,005)
1200 <b>Net Change in Fund Balance</b>	--	(37,005)	(37,005)
0100 <b>Fund Balance - Beginning</b>	124,293	124,293	--
3000 <b>Fund Balance - Ending</b>	<u>\$ 124,293</u>	<u>\$ 87,288</u>	<u>\$ (37,005)</u>

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**EXHIBIT J-3**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 296,591	\$ 330,322	\$ 33,731
5800 <i>State Program Revenues</i>	6,895	4,894	(2,001)
5020 <i>Total Revenues</i>	<u>303,486</u>	<u>335,216</u>	<u>31,730</u>
<b>EXPENDITURES:</b>			
<i>Debt Service:</i>			
0071 <i>Principal on Long-Term Debt</i>	695,000	695,000	--
0072 <i>Interest on Long-Term Debt</i>	771,317	725,388	45,929
0073 <i>Bond Issuance Costs and Fees</i>	2,250	--	2,250
<i>Total Debt Service</i>	<u>1,468,567</u>	<u>1,420,388</u>	<u>48,179</u>
6030 <i>Total Expenditures</i>	<u>1,468,567</u>	<u>1,420,388</u>	<u>48,179</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(1,165,081)</u>	<u>(1,085,172)</u>	<u>79,909</u>
<i>Other Financing Sources (Uses):</i>			
7915 <i>Transfers In</i>	1,065,081	1,065,075	(6)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>1,065,081</u>	<u>1,065,075</u>	<u>(6)</u>
1200 <i>Net Change in Fund Balance</i>	<u>(100,000)</u>	<u>(20,097)</u>	<u>79,903</u>
0100 <i>Fund Balance - Beginning</i>	210,760	210,760	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 110,760</u>	<u>\$ 190,663</u>	<u>\$ 79,903</u>

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**TRLICEK & CO., P.C.**  
**P.O. BOX 817**  
**LA GRANGE, TEXAS 78945**

Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards

Board of Trustees  
Wharton Independent School District  
2100 North Fulton  
Wharton, Texas 77488

**Members of the Board of Trustees:**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wharton Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Wharton Independent School District's basic financial statements, and have issued our report thereon dated April 18, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## Purpose of this Report

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

Respectfully submitted,



Tricek & Co., P.C.

La Grange, Texas  
April 18, 2019

**TRLICEK & CO., P.C.**  
P.O. BOX 817  
LA GRANGE, TEXAS 78945

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees  
Wharton Independent School District  
2100 North Fulton  
Wharton, Texas 77488

Members of the Board of Trustees:

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

We have audited the Wharton Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Wharton Independent School District's major federal programs for the year ended August 31, 2018. Wharton Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the Wharton Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

## Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Trlicek & Co., P.C.

La Grange, Texas  
April 18, 2019

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	NSLP-Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?   X   Yes        No

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

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**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no prior year findings.		

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
***CORRECTIVE ACTION PLAN***  
***FOR THE YEAR ENDED AUGUST 31, 2018***

None-There were no findings or questioned costs for the current school year.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-B Discretionary	84.027	18-6600122419046677	\$ 606,318
SSA IDEA-B Formula	84.027	19-6600012419046600	81,255
SSA IDEA-B Formula	84.027	18-6600012419046600	849,602
Total CFDA Number 84.027			<u>1,537,175</u>
SSA IDEA-B Preschool	84.173	19-6610012419046610	2,199
SSA IDEA-B Preschool	84.173	18-6610012419046610	19,731
Total CFDA Number 84.173			<u>21,930</u>
Total Passed Through State Department of Education			<u>1,559,105</u>
Total U. S. Department of Education			<u>1,559,105</u>
Total Special Education (IDEA) Cluster			<u>1,559,105</u>
<b>OTHER PROGRAMS:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010a	19-610101241904	50,434
ESEA Title I Part A - Improving Basic Programs	84.010a	18-610101241904	520,601
Total CFDA Number 84.010a			<u>571,035</u>
Career and Technical - Basic Grant	84.048	18-420006241904	24,518
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	18-696001241904	39,841
Title III Part A English Language Acquisition and Language Enhanceme	84.365	18-1241904	2,133
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	18-694501241904	77,394
Federally Funded Special Revenue	84.069g	18-510701241904	5,000
Federally Funded Special Revenue	84.069a	18-1241904	2,374
Total Passed Through State Department of Education			<u>722,295</u>
Total U. S. Department of Education			<u>722,295</u>
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
National School Lunch Program*	10.555	713018	764,042
School Breakfast Program*	10.553	714018	208,338
National School Lunch Program (Non-cash)*	10.555	18-241904	74,450
Total Passed Through State Department of Education			<u>1,046,830</u>
Total U. S. Department of Agriculture			<u>1,046,830</u>
Federal Emergency Management Agency:			
Public Assistance Grant, 4332 Texas Hurricane Harvey	97.036	4332DRTXP0000001	515,751
Total Passed Through Texas Department of Public Safety			<u>515,751</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>3,843,981</b>
School Health and Related Services (SHARS) Revenue-Not Considered Federal Financial Assistance			<u>271,254</u>
<b>TOTAL FEDERAL REVENUE PER THE STATEMENT OF REVENUES,</b>			
<b>EXPENDITURES AND CHANGES IN FUND BALANCE</b>			
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 4,115,235</b>

The accompanying notes are an integral part of this schedule.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2018**

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Wharton Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Wharton Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**WHARTON INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2018**

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 4,188,201
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ --

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."

WHARTON INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2018*



Wharton Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2018

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## *Introductory Section*

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