

WHARTON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2019



Wharton Independent School District
Annual Financial Report
For The Year Ended August 31, 2019

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Introductory Section

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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, 2019, at a meeting of the board of trustees of such school district on the 14 day of January, 2020.



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, 2019, 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, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 December 20, 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,

Trlicek & Co., P.C.

Trlicek & Co., P.C.

La Grange, Texas
December 20, 2019

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WHARTON INDEPENDENT SCHOOL DISTRICT

2100 N. Fulton • Wharton, Texas • 77488

979.532.3612

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, 2019. 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, 2019. 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 \$9,163,786.
- The General Fund reported a fund balance of \$14,957,188 at August 31, 2019.
- The District's long-term debt (General Obligation Bonds) increased by a total of \$34,820,000.

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.

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 \$9,163,786 at August 31, 2019. This is a 12.79% decrease of \$1,343,771 from the prior year. *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, 2019. The total cost of all programs increased 4.63% to \$31,505,953. The District’s expenses are predominantly related to educating and caring for students.

Table 1
Net Position

Description	Governmental Activities		Total Percentage Change 2019-2018
	2019	2018	
Current Assets	\$ 52,350,582	\$ 15,914,297	228.95%
Capital Assets	30,829,652	31,512,660	-2.17%
Total Assets	83,180,234	47,426,957	75.39%
Current Liabilities	1,007,302	1,899,935	-46.98%
Long-Term Liabilities	73,009,146	35,019,465	108.48%
Total Liabilities	74,016,448	36,919,400	100.48%
Net Position:			
Invested in Capital Assets	(23,645,348)	9,551,951	-347.54%
Restricted	31,224,657	190,663	100.00%
Unrestricted	1,584,477	764,943	107.14%
Total Net Position	\$ 9,163,786	\$ 10,507,557	-12.79%

Table 2
Changes in Net Position

Description	Governmental Activities		Total Percentage Change 2019-2018
	2019	2018	
Program Revenues:			
Charges for Service	\$ 37,123	\$ 40,333	-7.96%
Operating Grants and Contributions	12,019,202	14,475,682	-16.97%
General Revenues -			
Property Taxes	16,268,406	13,932,736	16.76%
Investment Earnings	610,626	209,334	191.70%
Insurance Recovery	-	2,499,310	-100.00%
Other Revenues	1,226,825	219,310	459.40%
Total Revenues	<u>30,162,182</u>	<u>31,376,705</u>	<u>-3.87%</u>
Program Expenditures			
Instruction	10,758,338	13,675,698	-21.33%
Instructional Resources and Media Services	676,374	682,559	-0.91%
Curriculum and Staff Development	412,319	289,955	42.20%
Instructional Leadership	278,390	275,691	0.98%
School Leadership	1,172,262	1,577,252	-25.68%
Guidance, Counseling and Evaluation Services	1,096,025	1,010,091	8.51%
Health Services	210,668	217,841	-3.29%
Student Transportation	1,353,138	1,127,014	20.06%
Food Service	1,225,089	1,210,988	1.16%
Cocurricular/Extracurricular Activities	764,187	909,968	-16.02%
General Administration	1,097,442	891,304	23.13%
Facilities Maintenance and Operations	3,343,307	6,167,157	-45.79%
Security and Monitoring Services	250,163	109,641	128.17%
Data Processing Services	150,598	112,048	34.40%
Interest on Long-Term Debt	973,663	725,388	34.23%
Capital Outlay	6,757,057	254,654	2553.43%
Payments Related to Shared Services Arrangements	713,075	648,125	10.02%
Other Intergovernmental Charges	273,858	225,043	21.69%
Total Expenses	<u>31,505,953</u>	<u>30,110,417</u>	<u>4.63%</u>
Excess (Deficiency) Before Other Resources and Uses and Transfers	(1,343,771)	1,266,288	-206.12%
Other Resources (Uses) and Transfers In (Out)	-	-	0.00%
Increase (Decrease) in Net Position	<u>\$ (1,343,771)</u>	<u>\$ 1,266,288</u>	<u>-206.12%</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 \$207,508,6056. The net result was that total taxes assessed increased \$2,420,878.

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		
	2019	2018	2019	2018	% Change
Instruction	\$ 10,758,338	\$ 13,675,698	\$ 7,371,078	\$ 9,084,007	-18.86%
Instructional Resources	676,374	682,559	412,286	362,585	13.71%
Facilities Maintenance and Operations	3,343,307	6,167,157	2,152,876	4,738,596	-54.57%
School Leadership	1,172,262	1,577,252	692,788	794,529	-12.81%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the reporting period (August 31, 2019), 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 \$46,605,536. This compares to a combined fund balance of \$11,905,424 at August 31, 2018.

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, 2019, the District had a total of \$54,817,262 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 2019-2018
	2019	2018	
Land	\$ 379,632	\$ 379,632	0.00%
Buildings and Improvements	50,245,772	50,245,772	0.00%
Equipment	1,122,971	1,094,138	2.64%
Vehicles	3,068,887	2,869,003	6.97%
Total Historical Cost	54,817,262	54,588,545	0.42%
Accumulated Depreciation	(23,987,610)	(23,075,885)	3.95%
Net Capital Assets	\$ 30,829,652	\$ 31,512,660	-2.17%

Long Term Debt

At August 31, 2019, the District had three bond issues outstanding of which the unpaid principal totaled 54,475,000. Table 5 summarizes the District's outstanding debt at August 31, 2019. Also, at August 31, 2019, the District had \$6,607,973 in net pension liability and \$8,511,221 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
	2019	2018	2019-2018
General Obligation Bonds	\$ 54,475,000	\$ 19,655,000	177.16%
Net Pension Liability	6,607,973	4,188,201	57.78%
Net Pension Liability	8,511,221	7,397,247	15.06%
Total Debt Outstanding	<u>\$ 69,594,194</u>	<u>\$ 31,240,448</u>	<u>122.77%</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.

The 2018-19 fiscal year included continued reimbursements from FEMA and TASB Risk Management as a result of damage caused by Hurricane Harvey in 2017. The District completed all restoration to property

damaged by Hurricane Harvey. The District began mitigation projects to prevent future flooding on restored buildings with a committed 90% contribution from FEMA.

During the 2018-19 school year the District sold \$37,000,000 of bonds and began construction on the Eddie Joseph Memorial Stadium with completion scheduled for the 2019-20 school year. In addition, the District began construction of a softball complex to be completed during the 2019-20 school year.

This was the last year to be held harmless with state funding as a result of Hurricane Harvey. The District saw enrollment numbers range from the low 1900s to the mid 2000s. The housing market is still a factor in seeing enrollment reach pre-Harvey numbers. The City of Wharton is developing plans for a levee project to prevent future flooding of the community. This may be a significant factor to support the return of dislocated families to the school district. In addition, the return of Oak Bend Hospital has been a favorable addition to the community.

During the 2018-19 school year the District made strategic fiscal decisions to prepare for a reduction in state funding. The District made financial decisions to minimize the risk of a funding cliff. The District is anticipating a steady enrollment of around 2,000 students for the 2019-20 school year. There are no signs of losses to current enrollment for the upcoming school year. In addition, there are no signs of a reduction in property values in the upcoming fiscal year. Finally, the District is anticipating a successful agreement for a solar-panel farm that may add significant property value for the school district.

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

December 20, 2019

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Basic Financial Statements

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WHARTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 1,851,745
1120	Current Investments	44,852,599
1225	Property Taxes Receivable (Net)	685,282
1240	Due from Other Governments	834,210
1267	Due from Fiduciary	18,207
1290	Other Receivables (Net)	6,400
1300	Inventories	49,677
	Capital Assets:	
1510	Land	379,632
1520	Buildings and Improvements, Net	28,366,763
1530	Furniture and Equipment, Net	2,083,257
1000	Total Assets	<u>79,127,772</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1705	Deferred Outflow Related to Pensions	3,423,886
1706	Deferred Outflow Related to OPEB	628,576
	Total Deferred Outflows of Resources	<u>4,052,462</u>
LIABILITIES:		
2150	Payroll Deductions & Withholding	11,097
2160	Accrued Wages Payable	929,887
2200	Accrued Expenditures	28,103
2300	Unearned Revenue	38,215
	Noncurrent Liabilities:	
2501	Due Within One Year	1,385,000
2502	Due in More Than One Year	53,090,000
2540	Net Pension Liability	6,607,973
2545	Other Post-Employment Benefits Liability	8,511,221
2000	Total Liabilities	<u>70,601,496</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflow Related to Pensions	723,498
2606	Deferred Inflow Related to OPEB	2,691,454
	Total Deferred Inflows of Resources	<u>3,414,952</u>
NET POSITION:		
3200	Net Investment in Capital Assets	(23,645,348)
	Restricted For:	
3850	Debt Service	241,496
3860	Capital Projects	30,983,161
3900	Unrestricted	1,584,477
3000	Total Net Position	<u>\$ 9,163,786</u>

The accompanying notes are an integral part of this statement.

WHARTON INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 10,758,338	\$ --	\$ 3,387,260	\$ (7,371,078)
12	Instructional Resources and Media Services	676,374	--	264,088	(412,286)
13	Curriculum and Staff Development	412,319	--	123,474	(288,845)
21	Instructional Leadership	278,390	--	54,949	(223,441)
23	School Leadership	1,172,262	--	479,474	(692,788)
31	Guidance, Counseling, & Evaluation Services	1,096,025	--	171,054	(924,971)
33	Health Services	210,668	--	85,460	(125,208)
34	Student Transportation	1,353,138	--	438,930	(914,208)
35	Food Service	1,225,089	--	32,617	(1,192,472)
36	Cocurricular/Extracurricular Activities	764,187	37,123	293,127	(433,937)
41	General Administration	1,097,442	--	423,044	(674,398)
51	Facilities Maintenance and Operations	3,343,307	--	1,190,431	(2,152,876)
52	Security and Monitoring Services	250,163	--	76,888	(173,275)
53	Data Processing Services	150,598	--	56,333	(94,265)
72	Interest on Long-term Debt	973,663	--	--	(973,663)
81	Capital Outlay	6,757,057	--	--	(6,757,057)
93	Payments Related to Shared Services Arrangements	713,075	--	217,962	(495,113)
99	Other Intergovernmental Charges	273,858	--	--	(273,858)
TG	Total Governmental Activities	31,505,953	37,123	7,295,091	(24,173,739)
TP	Total Primary Government	\$ 31,505,953	\$ 37,123	\$ 7,295,091	(24,173,739)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				14,830,002
DT	Property Taxes, Levied for Debt Service				1,438,404
IE	Investment Earnings				610,626
GC	Grants and Contributions Not Restricted to Specific Programs				4,724,111
MI	Miscellaneous				1,226,825
TR	Total General Revenues				22,829,968
CN	Change in Net Position				(1,343,771)
NB	Net Position - Beginning				10,507,557
NE	Net Position - Ending				\$ 9,163,786

The accompanying notes are an integral part of this statement.

WHARTON INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2019

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 1,148,950	\$ --	\$ 702,795	\$ 1,851,745
1120 Current Investments	10,587,595	34,234,036	30,968	44,852,599
1225 Taxes Receivable, Net	685,282	--	--	685,282
1240 Due from Other Governments	496,250	--	337,960	834,210
1260 Due from Other Funds	3,483,633	--	--	3,483,633
1290 Other Receivables	--	--	6,400	6,400
1300 Inventories	15,247	--	34,430	49,677
1000 Total Assets	<u>16,416,957</u>	<u>34,234,036</u>	<u>1,112,553</u>	<u>51,763,546</u>
LIABILITIES:				
Current Liabilities:				
2150 Payroll Deductions & Withholdings	\$ 7,001	\$ --	\$ 4,096	\$ 11,097
2160 Accrued Wages Payable	714,385	--	215,502	929,887
2170 Due to Other Funds	--	3,250,875	214,551	3,465,426
2200 Accrued Expenditures	14,886	--	13,217	28,103
2300 Unearned Revenue	723,497	--	--	723,497
2000 Total Liabilities	<u>1,459,769</u>	<u>3,250,875</u>	<u>447,366</u>	<u>5,158,010</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 Inventories	15,246	--	--	15,246
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	169,507	169,507
3480 Retirement of Long-Term Debt	--	--	241,496	241,496
3490 Other Restrictions of Fund Balance	--	--	254,184	254,184
Committed Fund Balances:				
3510 Construction	2,730,000	30,983,161	--	33,713,161
3530 Capital Expenditures for Equipment	750,000	--	--	750,000
Assigned Fund Balances:				
3590 Other Assigned Fund Balance	750,000	--	--	750,000
3600 Unassigned	10,711,942	--	--	10,711,942
3000 Total Fund Balances	<u>14,957,188</u>	<u>30,983,161</u>	<u>665,187</u>	<u>46,605,536</u>
4000 Total Liabilities and Fund Balances	<u>\$ 16,416,957</u>	<u>\$ 34,234,036</u>	<u>\$ 1,112,553</u>	<u>\$ 51,763,546</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, 2019

Total fund balances - governmental funds balance sheet	\$ 46,605,536
--	---------------

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.	30,829,652
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	685,282
Payable for bond principal which are not due in the current period are not reported in the funds.	(54,475,000)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(6,607,973)
Recognition of the District's proportionate share of the OPEB liability is not reported in the funds.	(8,511,221)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(723,498)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,691,454)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,423,886
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	628,576

Net position of governmental activities - Statement of Net Position	<u>\$ 9,163,786</u>
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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, 2019

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 15,852,084	\$ 234,036	\$ 1,658,890	\$ 17,745,010
5800 <i>State Program Revenues</i>	6,779,827	--	1,317,001	8,096,828
5900 <i>Federal Program Revenues</i>	674,802	--	3,084,684	3,759,486
5020 Total Revenues	<u>23,306,713</u>	<u>234,036</u>	<u>6,060,575</u>	<u>29,601,324</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	8,688,605	--	2,069,733	10,758,338
0012 <i>Instructional Resources and Media Services</i>	659,400	--	16,974	676,374
0013 <i>Curriculum and Staff Development</i>	321,335	--	90,984	412,319
0021 <i>Instructional Leadership</i>	112,058	--	166,332	278,390
0023 <i>School Leadership</i>	1,166,951	--	5,311	1,172,262
0031 <i>Guidance, Counseling, & Evaluation Services</i>	381,847	--	714,178	1,096,025
0033 <i>Health Services</i>	210,668	--	--	210,668
0034 <i>Student Transportation</i>	1,337,331	--	3,031	1,340,362
0035 <i>Food Service</i>	14,250	--	1,210,839	1,225,089
0036 <i>Cocurricular/Extracurricular Activities</i>	760,474	--	3,713	764,187
0041 <i>General Administration</i>	1,095,989	--	1,453	1,097,442
0051 <i>Facilities Maintenance and Operations</i>	3,339,096	--	4,211	3,343,307
0052 <i>Security and Monitoring Services</i>	199,215	--	50,948	250,163
0053 <i>Data Processing Services</i>	150,598	--	--	150,598
0071 <i>Principal on Long-term Debt</i>	--	--	720,000	720,000
0072 <i>Interest on Long-term Debt</i>	--	--	973,663	973,663
0081 <i>Capital Outlay</i>	506,182	6,250,875	--	6,757,057
0093 <i>Payments to Shared Service Arrangements</i>	626,650	--	86,425	713,075
0099 <i>Other Intergovernmental Charges</i>	273,858	--	--	273,858
6030 Total Expenditures	<u>19,844,507</u>	<u>6,250,875</u>	<u>6,117,795</u>	<u>32,213,177</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>3,462,206</u>	<u>(6,016,839)</u>	<u>(57,220)</u>	<u>(2,611,853)</u>
Other Financing Sources and (Uses):				
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	37,000,000	300,913	37,300,913
7912 <i>Sale of Real or Personal Property</i>	11,052	--	--	11,052
7915 <i>Transfers In</i>	--	--	841	841
8911 <i>Transfers Out</i>	--	--	(841)	(841)
7080 Total Other Financing Sources and (Uses)	<u>11,052</u>	<u>37,000,000</u>	<u>300,913</u>	<u>37,311,965</u>
1200 Net Change in Fund Balances	<u>3,473,258</u>	<u>30,983,161</u>	<u>243,693</u>	<u>34,700,112</u>
0100 Fund Balances - Beginning	<u>11,483,930</u>	<u>--</u>	<u>421,494</u>	<u>11,905,424</u>
3000 Fund Balances - Ending	<u>\$ 14,957,188</u>	<u>\$ 30,983,161</u>	<u>\$ 665,187</u>	<u>\$ 46,605,536</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, 2019*

Net change in fund balances - total governmental funds \$ 34,700,112

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.	(1,358,295)
Bond proceeds is a revenue in the funds but is not revenue in the SOA.	(35,540,000)
Repayment of bond principal is an expenditure in the funds but is not an expense in SOA.	720,000
Capital outlays are not reported as an expense in SOA.	724,939
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(506,800)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(83,727)

Change in net position of governmental activities - Statement of Activities \$ (1,343,771)

The accompanying notes are an integral part of this statement.

WHARTON INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2019**

Data Control Codes		Nonexpendable Trust Fund	Expendable Trust Fund	Agency Funds
ASSETS:				
1110	<i>Cash and Cash Equivalents</i>	--	--	153,550
1800	<i>Restricted Assets</i>	40,000	54,745	--
1000	Total Assets	<u>40,000</u>	<u>54,745</u>	<u>153,550</u>
LIABILITIES:				
<i>Current Liabilities:</i>				
2170	<i>Due to Other Funds</i>	--	--	18,207
2190	<i>Due to Student Groups</i>	--	--	135,343
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>153,550</u>
NET POSITION:				
3800	<i>Held in Trust</i>	40,000	54,745	--
3000	Total Net Position	<u>40,000</u>	<u>54,745</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, 2019

	Nonexpendable Trust Fund	Expendable Trust Fund
Additions:		
Investment Income	\$ 399	\$ 208
Gifts and Bequests	--	4,034
Transfers In	--	399
Total Additions	<u>399</u>	<u>4,641</u>
Deductions:		
Scholarship Awards	--	5,250
Transfers Out	399	--
Total Deductions	<u>399</u>	<u>5,250</u>
Change in Net Position	--	(609)
Net Position-Beginning of the Year	40,000	55,354
Net Position-End of the Year	<u>\$ 40,000</u>	<u>\$ 54,745</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, 2019

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.

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.

WHARTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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.

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.

WHARTON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

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

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.

WHARTON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2019

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.

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.

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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.

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's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

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This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 83, Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

GASB Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

GASB Statement No. 84, Fiduciary Activities

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

WHARTON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

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

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, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,100,040 and the bank balance was \$2,593,269. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, 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.

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The District's investments at August 31, 2019 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	\$ 10,303,145
TexPool	N/A	34,549,454
Total Investments		<u>\$ 44,852,599</u>

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.

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.

WHARTON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019

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.

WHARTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<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	50,245,772	--	--	50,245,772
Equipment	1,094,138	28,833	--	1,122,971
Vehicles	2,869,003	734,090	534,206	3,068,887
Total capital assets being depreciated	54,208,913	762,923	534,206	54,437,630
Less accumulated depreciation for:				
Buildings and improvements	(20,830,703)	(1,048,303)	3	(21,879,009)
Equipment	(443,650)	(68,227)	2,277	(514,154)
Vehicles	(1,801,532)	(241,765)	(448,850)	(1,594,447)
Total accumulated depreciation	(23,075,885)	(1,358,295)	(446,570)	(23,987,610)
Total capital assets being depreciated, net	31,133,028	(595,372)	87,636	30,450,020
Governmental activities capital assets, net	\$ 31,512,660	\$ (595,372)	\$ 87,636	\$ 30,829,652

Depreciation was charged to functions as follows:

Instruction	\$ 546,088
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	210,551
Food Services	56,845
Extracurricular Activities	73,257
Plant Maintenance and Operations	337,663
Security and Monitoring Services	26,411
Data Processing Services	996
	<u>\$ 1,358,295</u>

WHARTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2019, 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	\$ 3,465,426	Short-term loans
General Fund	Agency Fund	18,207	Short-term loans
	Total	<u>\$ 3,483,633</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, 2019, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Other Governmental Funds	Other Governmental Funds	\$ 841	Supplement other funds sources
	Total	<u>\$ 841</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, 2019, 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	\$ 19,655,000	\$ 35,540,000	\$ 720,000	\$ 54,475,000	\$ 1,385,000
Net OPEB Liability	7,397,247	1,113,974	--	8,511,221	--
Net Pension Liability *	4,188,201	2,419,772	--	6,607,973	--
Total governmental activities	<u>\$ 31,240,448</u>	<u>\$ 39,073,746</u>	<u>\$ 720,000</u>	<u>\$ 69,594,194</u>	<u>\$ 1,385,000</u>

WHARTON INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2019

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2019, are as follows:

Year Ending August 31,	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2020	\$ 1,385,000	2,115,347	--	\$ --	\$ 3,500,347
2021	1,580,000	1,937,913	--	--	3,517,913
2022	1,665,000	1,863,169	--	--	3,528,169
2023	1,740,000	1,785,044	--	--	3,525,044
2024	1,815,000	1,706,125	--	--	3,521,125
2025-2029	10,700,000	7,278,731	--	--	17,978,731
2030-2034	12,195,000	5,021,706	--	--	17,216,706
2035-2039	12,180,000	2,706,572	--	--	14,886,572
2040-2044	10,015,000	1,009,687	--	--	11,024,687
2045-2049	1,200,000	18,000	--	--	1,218,000
Totals	\$ 54,475,000	\$ 25,442,294	\$ --	\$ --	\$ 79,917,294

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 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 2019, 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) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

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

FOR THE YEAR ENDED AUGUST 31, 2019

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% (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 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 Employer Contributions	\$ 208,408	
District's 2019 Member Contributions	\$ 1,047,271	
2018 NECE On-Behalf Contributions (state)	\$ 669,275	

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
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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 valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
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 three year period ending August 31, 2017 and adopted in July, 2018.

WHARTON INDEPENDENT SCHOOL DISTRICT
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6. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Rate of Return As of August 31, 2016			
Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy & Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Alpha			-0.8%
Total	100.0%		7.2%

* Target allocation are based on the FY 2016 policy model.

** 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, 2019

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 (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's proportionate share of the net pension liability	\$ 9,973,016	\$ 6,607,973	\$ 3,883,771

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

At August 31, 2019, the District reported a liability of \$6,607,973 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	\$ 6,607,973
State's proportionate share that is associated with District	10,942,183
Total	<u>\$ 17,550,156</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The 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, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0120052%. which was an increase (decrease) of 0.0120052% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation -

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

WHARTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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, 2019, the District recognized pension expense of \$1,082,984 and revenue of \$1,082,984 for support provided by the State.

At August 31, 2019, 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	\$ 41,189	\$ 162,134
Changes in actuarial assumptions	2,382,492	74,453
Difference between projected and actual investment earnings	--	125,381
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	791,797	361,530
Contributions paid to TRS subsequent to the measurement date	208,408	--
Total	<u>\$ 3,423,886</u>	<u>\$ 723,498</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
2020	\$ 685,379
2021	\$ 421,524
2022	\$ 348,823
2023	\$ 418,807
2024	\$ 393,926
Thereafter	\$ 223,520

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.

WHARTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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 the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees January 1, 2018 thru December 31, 2018		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

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.

WHARTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%

District's 2019 Employer Contributions	\$	102,007
District's 2019 Member Contributions	\$	88,405
2018 NECE On-Behalf Contributions (state)	\$	--

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 hiring a TRS retiree, employers are required to pay to TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed on the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in the 2018 CAFR for the Teacher Retirement System of Texas.

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

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

WHARTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate *	3.69% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation ***
Healthcare Trend Rates **	8.50% **
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Ad Hoc Post-Employment Benefit Changes	None

*Sourced from 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, 2018.

**8.50% for FY2019, decreasing 0.5% per year to 4.50% for FY2027 and later years.

*** Includes inflation at 2.5%.

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 10,131,278	\$ 8,511,221	\$ 7,229,652

WHARTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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

At August 31, 2019, the District reported a liability of \$8,511,221 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	\$ 8,511,221
State's proportionate share that is associated with the District	\$ 11,038,418
Total	<u>\$ 19,549,639</u>

The Net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2019 the District's proportion of the collective net OPEB liability was 0.017046, compared ERR

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 7,068,708	\$ 8,511,221	\$ 10,411,043

9. Changes Since the Prior Actuarial Valuation

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

WHARTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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

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

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

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

Changes of benefit terms that affected measurement of the total OPEB liability during the measurement period are listed below:

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of \$401,511 and revenue of \$401,511 for support provided by the State.

WHARTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ 451,659	\$ 134,320
Changes in actuarial assumptions	142,029	2,557,134
Differences between projected and actual investment earnings	1,489	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	19,196	--
Contributions paid to TRS subsequent to the measurement date	14,203	--
Total	\$ 628,576	\$ 2,691,454

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
2020	\$ (332,592)
2021	\$ (332,592)
2022	\$ (332,592)
2023	\$ (332,873)
2024	\$ (333,034)
Thereafter	\$ (413,398)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended August 31, 2019, the subsidy payment received by TRS-Care on behalf of the District was \$.

K. Employee Health Care Coverage

During the year ended August 31, 2019, 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 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, 2018, 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, 2019

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, 2019.

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	\$ 626,650
Boling ISD	257,374
East Bernard ISD	234,994
Total	<u>\$ 1,119,018</u>

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, 2019

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 14,252,013	\$ 15,188,728	\$ 15,852,084	\$ 663,356
5800	State Program Revenues	6,298,904	6,298,904	6,779,827	480,923
5900	Federal Program Revenues	--	--	674,802	674,802
5020	Total Revenues	20,550,917	21,487,632	23,306,713	1,819,081
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	10,198,361	10,169,161	8,688,605	1,480,556
0012	Instructional Resources and Media Services	702,474	702,474	659,400	43,074
0013	Curriculum and Staff Development	384,580	384,580	321,335	63,245
	Total Instruction & Instr. Related Services	11,285,415	11,256,215	9,669,340	1,586,875
Instructional and School Leadership:					
0021	Instructional Leadership	122,617	122,617	112,058	10,559
0023	School Leadership	1,235,469	1,235,469	1,166,951	68,518
	Total Instructional & School Leadership	1,358,086	1,358,086	1,279,009	79,077
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	406,180	416,180	381,847	34,333
0033	Health Services	203,258	222,458	210,668	11,790
0034	Student (Pupil) Transportation	894,433	1,344,151	1,337,331	6,820
0035	Food Services	15,000	29,250	14,250	15,000
0036	Cocurricular/Extracurricular Activities	773,240	773,240	760,474	12,766
	Total Support Services - Student (Pupil)	2,292,111	2,785,279	2,704,570	80,709
Administrative Support Services:					
0041	General Administration	1,095,092	1,096,317	1,095,989	328
	Total Administrative Support Services	1,095,092	1,096,317	1,095,989	328
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	3,214,635	3,437,160	3,339,096	98,064
0052	Security and Monitoring Services	231,162	238,662	199,215	39,447
0053	Data Processing Services	156,764	156,764	150,598	6,166
	Total Support Services - Nonstudent Based	3,602,561	3,832,586	3,688,909	143,677
Debt Service:					
	Total Debt Service	1,500	1,500	--	1,500
Capital Outlay:					
0081	Capital Outlay	2	506,184	506,182	2
	Total Capital Outlay	2	506,184	506,182	2
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	626,650	626,650	626,650	--
0099	Other Intergovernmental Charges	289,500	289,500	273,858	15,642
	Total Intergovernmental Charges	916,150	916,150	900,508	15,642
6030	Total Expenditures	20,550,917	21,752,317	19,844,507	1,907,810
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(264,685)	3,462,206	3,726,891

WHARTON INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive
		Original	Final		(Negative)
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	--	11,052	11,052
7080	Total Other Financing Sources and (Uses)	--	--	11,052	11,052
1200	Net Change in Fund Balance	--	(264,685)	3,473,258	3,737,943
0100	Fund Balance - Beginning	11,483,930	11,483,930	11,483,930	--
3000	Fund Balance - Ending	\$ 11,483,930	\$ 11,219,245	\$ 14,957,188	\$ 3,737,943

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.0120052%	0.0130985%	0.0116409%	0.0123348%	0.8469600%	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 6,607,973	\$ 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	10,942,183	6,469,299	7,716,776	7,730,265	6,671,691	--	--	--	--	--
Total	<u>\$ 17,550,156</u>	<u>\$ 10,657,500</u>	<u>\$ 12,115,713</u>	<u>\$ 12,090,382</u>	<u>\$ 8,934,038</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 13,600,922	\$ 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	48.58%	31.10%	32.53%	35.02%	18.18%	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	62.35%	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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 208,408	\$ 203,461	\$ 206,563	\$ 206,928	\$ 202,446	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(208,408)	(203,461)	(206,563)	(206,928)	(202,446)	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 13,600,922	\$ 13,466,446	\$ 13,523,052	\$ 12,450,291	\$ 12,444,224	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	1.53%	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 *

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective net OPEB liability	0.170460%	0.170105%	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 8,511,221	\$ 7,397,247	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	\$ 11,038,418	\$ 10,079,874	\$ 1	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total	<u>\$ 19,549,639</u>	<u>\$ 17,477,121</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 13,600,922	\$ 11,380,380	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	62.58%	65.00%	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	56.46%	57.67%	--	--	--	--	--	--	--	--

* 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 *

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily or contractually required District contribution	\$ 102,007	\$ 100,978	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	102,007	100,978	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 13,600,922	\$ 11,380,380	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.75%	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, 2019

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 STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:				
5700	Local and Intermediate Sources	\$ 215,347	\$ 1,443,543	\$ 1,658,890
5800	State Program Revenues	1,316,961	40	1,317,001
5900	Federal Program Revenues	3,084,684	--	3,084,684
5020	Total Revenues	<u>4,616,992</u>	<u>1,443,583</u>	<u>6,060,575</u>
EXPENDITURES:				
Current:				
0011	Instruction	2,069,733	--	2,069,733
0012	Instructional Resources and Media Services	16,974	--	16,974
0013	Curriculum and Staff Development	90,984	--	90,984
0021	Instructional Leadership	166,332	--	166,332
0023	School Leadership	5,311	--	5,311
0031	Guidance, Counseling, & Evaluation Services	714,178	--	714,178
0034	Student Transportation	3,031	--	3,031
0035	Food Service	1,210,839	--	1,210,839
0036	Cocurricular/Extracurricular Activities	3,713	--	3,713
0041	General Administration	1,453	--	1,453
0051	Facilities Maintenance and Operations	4,211	--	4,211
0052	Security and Monitoring Services	50,948	--	50,948
0071	Principal on Long-term Debt	--	720,000	720,000
0072	Interest on Long-term Debt	--	973,663	973,663
0093	Payments to Shared Service Arrangements	86,425	--	86,425
6030	Total Expenditures	<u>4,424,132</u>	<u>1,693,663</u>	<u>6,117,795</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>192,860</u>	<u>(250,080)</u>	<u>(57,220)</u>
Other Financing Sources and (Uses):				
7911	Capital-Related Debt Issued (Regular Bonds)	--	300,913	300,913
7915	Transfers In	841	--	841
8911	Transfers Out	(841)	--	(841)
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>300,913</u>	<u>300,913</u>
1200	Net Change in Fund Balances	<u>192,860</u>	<u>50,833</u>	<u>243,693</u>
0100	Fund Balances - Beginning	230,831	190,663	421,494
3000	Fund Balances - Ending	<u>\$ 423,691</u>	<u>\$ 241,496</u>	<u>\$ 665,187</u>

WHARTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2019

Data Control Codes	211 ESEA Title I Improving Basic Programs	226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	242 Summer Feeding Program
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --	\$ 168,456	\$ 3,649
1240 <i>Due from Other Governments</i>	128,267	--	--	--
1290 <i>Other Receivables</i>	--	--	--	--
1300 <i>Inventories</i>	--	--	34,430	--
1000 Total Assets	<u>128,267</u>	<u>--</u>	<u>202,886</u>	<u>3,649</u>
LIABILITIES:				
Current Liabilities:				
2150 <i>Payroll Deductions & Withholdings</i>	\$ --	\$ --	\$ (2,120)	\$ 3,649
2160 <i>Accrued Wages Payable</i>	41,621	--	34,754	--
2170 <i>Due to Other Funds</i>	82,178	--	--	--
2200 <i>Accrued Expenditures</i>	4,468	--	745	--
2000 Total Liabilities	<u>128,267</u>	<u>--</u>	<u>33,379</u>	<u>3,649</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	169,507	--
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>169,507</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 128,267</u>	<u>\$ --</u>	<u>\$ 202,886</u>	<u>\$ 3,649</u>

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WHARTON INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2019

Data Control Codes	313 IDEA-B Formula	314 IDEA-B Preschool	410 State Textbook Fund	427 State Funded Special Revenue Fund
ASSETS:				
1110 Cash and Cash Equivalents	\$ --	\$ --	\$ --	\$ --
1240 Due from Other Governments	164,158	1,981	--	3,229
1290 Other Receivables	--	--	--	--
1300 Inventories	--	--	--	--
1000 Total Assets	<u>164,158</u>	<u>1,981</u>	<u>--</u>	<u>3,229</u>
LIABILITIES:				
Current Liabilities:				
2150 Payroll Deductions & Withholdings	\$ --	\$ --	\$ --	\$ --
2160 Accrued Wages Payable	68,964	1,787	--	--
2170 Due to Other Funds	88,819	--	--	3,229
2200 Accrued Expenditures	6,375	194	--	--
2000 Total Liabilities	<u>164,158</u>	<u>1,981</u>	<u>--</u>	<u>3,229</u>
FUND BALANCES:				
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>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 164,158</u>	<u>\$ 1,981</u>	<u>\$ --</u>	<u>\$ 3,229</u>

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)
\$ 297	\$ 235,437	\$ 32,825	\$ 51,603	\$ 492,267
--	--	--	--	337,960
--	6,400	--	--	6,400
--	--	--	--	34,430
<u>297</u>	<u>241,837</u>	<u>32,825</u>	<u>51,603</u>	<u>871,057</u>
\$ 297	\$ 2,270	\$ --	\$ --	\$ 4,096
--	68,376	--	--	215,502
--	--	--	--	214,551
--	1,435	--	--	13,217
<u>297</u>	<u>72,081</u>	<u>--</u>	<u>--</u>	<u>447,366</u>
--	--	--	--	169,507
--	169,756	32,825	51,603	254,184
--	169,756	32,825	51,603	423,691
<u>\$ 297</u>	<u>\$ 241,837</u>	<u>\$ 32,825</u>	<u>\$ 51,603</u>	<u>\$ 871,057</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, 2019

Data Control Codes		211 ESEA Title I Improving Basic Programs	226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	242 Summer Feeding Program
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ 57,991	\$ --
5800	State Program Revenues	--	--	39,058	--
5900	Federal Program Revenues	493,473	218,584	1,179,098	--
5020	Total Revenues	493,473	218,584	1,276,147	--
EXPENDITURES:					
Current:					
0011	Instruction	492,498	218,584	--	--
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	975	--	--	--
0021	Instructional Leadership	--	--	--	--
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	--
0034	Student Transportation	--	--	--	--
0035	Food Service	--	--	1,193,087	17,752
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0041	General Administration	--	--	--	--
0051	Facilities Maintenance and Operations	--	--	--	--
0052	Security and Monitoring Services	--	--	--	--
0093	Payments to Shared Service Arrangements	--	--	--	--
6030	Total Expenditures	493,473	218,584	1,193,087	17,752
1100	Excess (Deficiency) of Revenues Over (Under)	--	--	83,060	(17,752)
1100	Expenditures	--	--	83,060	(17,752)
Other Financing Sources and (Uses):					
7915	Transfers In	--	--	--	841
8911	Transfers Out	--	--	(841)	--
7080	Total Other Financing Sources and (Uses)	--	--	(841)	841
1200	Net Change in Fund Balances	--	--	82,219	(16,911)
0100	Fund Balances - Beginning	--	--	87,288	16,911
3000	Fund Balances - Ending	\$ --	\$ --	\$ 169,507	\$ --

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
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
19,620	81,285	4,227	41,963	63,724
<u>19,620</u>	<u>81,285</u>	<u>4,227</u>	<u>41,963</u>	<u>63,724</u>
11,829	6,379	4,227	41,963	12,776
--	--	--	--	--
7,791	73,751	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	1,155	--	--	--
--	--	--	--	--
--	--	--	--	50,948
--	--	--	--	--
<u>19,620</u>	<u>81,285</u>	<u>4,227</u>	<u>41,963</u>	<u>63,724</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

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WHARTON INDEPENDENT SCHOOL DISTRICT

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT H-5

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 234,036	\$ 234,036
5020 <i>Total Revenues</i>	<u>--</u>	<u>234,036</u>	<u>234,036</u>
EXPENDITURES:			
Capital Outlay:			
0081 <i>Capital Outlay</i>	<u>37,000,000</u>	<u>6,250,875</u>	<u>30,749,125</u>
<i>Total Capital Outlay</i>	<u>37,000,000</u>	<u>6,250,875</u>	<u>30,749,125</u>
6030 <i>Total Expenditures</i>	<u>37,000,000</u>	<u>6,250,875</u>	<u>30,749,125</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(37,000,000)</u>	<u>(6,016,839)</u>	<u>30,983,161</u>
<i>Other Financing Sources (Uses):</i>			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	<u>37,000,000</u>	<u>37,000,000</u>	<u>--</u>
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>37,000,000</u>	<u>37,000,000</u>	<u>--</u>
1200 <i>Net Change in Fund Balance</i>	<u>--</u>	<u>30,983,161</u>	<u>30,983,161</u>
0100 <i>Fund Balance - Beginning</i>	<u>--</u>	<u>--</u>	<u>--</u>
3000 <i>Fund Balance - Ending</i>	<u>\$ --</u>	<u>\$ 30,983,161</u>	<u>\$ 30,983,161</u>

WHARTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
AUGUST 31, 2019

Data Control Codes	863 Payroll Clearing	865 Student Activity	Total Agency Funds (See Exhibit E-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 18,207	\$ 135,343	\$ 153,550
1000 <i>Total Assets</i>	<u>18,207</u>	<u>135,343</u>	<u>153,550</u>
LIABILITIES:			
<i>Current Liabilities:</i>			
2170 <i>Due to Other Funds</i>	\$ 18,207	\$ --	\$ 18,207
2190 <i>Due to Student Groups</i>	--	135,343	135,343
2000 <i>Total Liabilities</i>	<u>18,207</u>	<u>135,343</u>	<u>153,550</u>
NET POSITION:			
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, 2019

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2010 and Prior Years	\$	Various	\$	Various	\$	Various
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		1.17		.027		1,146,091,562
2019 (School Year Under Audit)		1.09		.107		1,353,600,167

1000 Totals

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

10 Beginning Balance 9/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/19
\$ 201,010	\$ --	\$ 1,346	\$ 84	\$ (22,203)	\$ 177,377
19,768	--	629	119	(1,326)	17,694
21,164	--	842	162	(1,100)	19,060
30,219	--	1,934	346	(2,132)	25,807
34,165	--	5,724	962	4,435	31,914
49,928	--	8,430	1,273	4,553	44,778
59,509	--	16,439	2,481	5,351	45,940
118,513	--	52,856	1,220	5,911	70,348
260,261	--	153,392	3,540	4,930	108,259
--	16,202,594	14,432,624	1,416,782	(37,763)	315,425
<u>\$ 794,537</u>	<u>\$ 16,202,594</u>	<u>\$ 14,674,216</u>	<u>\$ 1,426,969</u>	<u>\$ (39,344)</u>	<u>\$ 856,602</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WHARTON INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 102,000	\$ 57,991	\$ (44,009)
5800 <i>State Program Revenues</i>	6,000	39,058	33,058
5900 <i>Federal Program Revenues</i>	1,065,016	1,179,098	114,082
5020 Total Revenues	<u>1,173,016</u>	<u>1,276,147</u>	<u>103,131</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	<u>1,173,016</u>	<u>1,193,087</u>	<u>(20,071)</u>
Total Support Services - Student (Pupil)	<u>1,173,016</u>	<u>1,193,087</u>	<u>(20,071)</u>
6030 Total Expenditures	<u>1,173,016</u>	<u>1,193,087</u>	<u>(20,071)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>83,060</u>	<u>83,060</u>
Other Financing Sources (Uses):			
8911 <i>Transfers Out</i>	<u>--</u>	<u>(841)</u>	<u>(841)</u>
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>(841)</u>	<u>(841)</u>
1200 Net Change in Fund Balance	<u>--</u>	<u>82,219</u>	<u>82,219</u>
0100 Fund Balance - Beginning	<u>87,288</u>	<u>87,288</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ 87,288</u>	<u>\$ 169,507</u>	<u>\$ 82,219</u>

WHARTON INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 1,359,087	\$ 1,443,543	\$ 84,456
5800 <i>State Program Revenues</i>	--	40	40
5020 Total Revenues	<u>1,359,087</u>	<u>1,443,583</u>	<u>84,496</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	1,359,087	720,000	639,087
0072 <i>Interest on Long-Term Debt</i>	--	973,663	(973,663)
Total Debt Service	<u>1,359,087</u>	<u>1,693,663</u>	<u>(334,576)</u>
6030 Total Expenditures	<u>1,359,087</u>	<u>1,693,663</u>	<u>(334,576)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>(250,080)</u>	<u>(250,080)</u>
Other Financing Sources (Uses):			
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	300,913	300,913
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>300,913</u>	<u>300,913</u>
1200 Net Change in Fund Balance	<u>--</u>	<u>50,833</u>	<u>50,833</u>
0100 Fund Balance - Beginning	<u>190,663</u>	<u>190,663</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ 190,663</u>	<u>\$ 241,496</u>	<u>\$ 50,833</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, 2019, 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 December 20, 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
December 20, 2019

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

Independent Auditor's Report on Compliance for Each Major Federal Program and
Report 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, 2019. 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, 2019.

Report on Internal Control Over Compliance

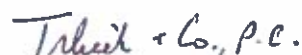
Management of the Wharton Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Wharton Independent School 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
December 20, 2019

WHARTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

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

Version of compliance supplement used in audit: August 2019

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>
84.027, 84.173	Special Education 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

WHARTON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

<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, 2019

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, 2019

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
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-B Discretionary	84.027	19-6600122419046677	\$ 218,584
SSA IDEA-B Formula	84.027	20-660012419046600	75,339
SSA IDEA-B Formula	84.027	19-660012419046600	886,100
Total CFDA Number 84.027			1,180,023
SSA IDEA-B Preschool	84.173	20-6610012419046610	1,981
SSA IDEA-B Preschool	84.173	19-6610012419046610	19,290
Total CFDA Number 84.173			21,271
Total Passed Through State Department of Education			1,201,294
Total U. S. Department of Education			1,201,294
Total Special Education (IDEA) Cluster			1,201,294
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010a	20-610101241904	46,089
ESEA Title I Part A - Improving Basic Programs	84.010a	19-610101241904	447,384
Total CFDA Number 84.010a			493,473
Career and Technical - Basic Grant	84.048	19-420006241904	19,620
Total CFDA Number 84.048			19,620
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	19-696001241904	41,963
Total CFDA Number 84.358			41,963
Title III Part A English Language Acquisition and Language Enhancement	84.365	19-1241904	4,227
Total CFDA Number 84.365			4,227
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	19-6944501241904	81,285
Total CFDA Number 84.367a			81,285
Federally Funded Special Revenue	84.938a	18-511701241904	50,948
Federally Funded Special Revenue Funds	84.938c	51271901	8,853
Federally Funded Special Revenue Funds	84.369a	69551902	2,671
Federally Funded Special Revenue Funds	84.369a	69551802	1,252
Total CFDA Number XXX			63,724
Total Passed Through State Department of Education			704,292
Total U.S. Department of Education			704,292
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
National School Lunch Program*	10.555	71301901	855,629
School Breakfast Program*	10.553	71401901	237,891
National School Lunch Program (Non-cash)*	10.555	19-241904	85,578
Total Passed Through State Department of Education			1,179,098
Total U. S. Department of Agriculture			1,179,098
<u>Federal Emergency Management Agency:</u>			
Public Assistance Grant, 4332 Texas Hurricane Harvey	97.036	4332DRTXP0000001	386,984
Total Passed Through Texas Department of Public Safety			386,984
TOTAL EXPENDITURES OF FEDERAL AWARDS			3,471,668
School Health and Related Services (SHARS) Revenue-Not Considered Federal Financial Assistance			287,818
TOTAL FEDERAL REVENUE PER THE STATEMENT OF REVENUES,			
EXPENDITURES AND CHANGES IN FUND BALANCE			
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,759,486

WHARTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

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, 2019**

<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 not 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.	\$ 6,607,973
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."