

WHARTON INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE TEN MONTHS ENDED JUNE 30, 2021*



Wharton Independent School District  
Annual Financial Report  
For The Ten Months Ended June 30, 2021

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
 INTRODUCTORY SECTION		
Certificate of Board.....	1	
 FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	11	A-1
Statement of Activities.....	12	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	15	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	16	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	18	C-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	19	E-1
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	20	E-2
Notes to the Financial Statements .....	21	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	43	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Teacher Retirement System Of Texas Pension Plan.....	45	G-2
Schedule of District's Contributions - Teacher Retirement System Of Texas .....	46	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - OPEB Plan.....	47	G-4
Schedule of District's Contributions - OPEB Plan.....	48	G-5
Notes to Required Supplementary Information.....	49	
 <u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u>		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	50	H-1
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	53	H-2

Wharton Independent School District  
Annual Financial Report  
For The Ten Months Ended June 30, 2021

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Capital Projects Funds:		
Budgetary Comparison Schedule:		
Capital Projects Fund.....	57	H-3
Fiduciary Funds:		
Agency Funds:		
Combining Statement of Fiduciary Assets and Liabilities.....	58	H-4
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	59	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	61	J-3
Fund 511.....	62	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	63	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	65	
Schedule of Findings and Questioned Costs .....	67	
Summary Schedule of Prior Audit Findings.....	68	
Schedule of Expenditures of Federal Awards .....	69	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	70	
Schedule of Required Responses to Selected School First Indicators.....	71	L-1

## *Introductory Section*



CERTIFICATE OF BOARD

Wharton Independent School District  
Name of School District

Wharton  
County

241904  
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 ten months ended June 30, 2021 at a meeting of the board of trustees of such school district on the 18 day of November, 2021

Christine A. Stransky  
Signature of Board Secretary

Curtis W. Evans  
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)





## *Financial Section*



***Harry Afadapa & Associates, PC***  
***Certified Public Accountants***  
***12345 Jones Road, Suite 215***  
***Houston, Texas 77070***  
***(832) 960-7977~www.afadapa.com***

**Independent Auditor's Report**

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

**Report on the Audit of the Financial Statements**

We have audited the 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 ten months ended June 30, 2021, 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 Responsibilities for the Audit of the Financial Statements**

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 June 30, 2021, and the respective changes in financial position, for the ten months then ended in accordance with accounting principles generally accepted in the United States of America.

## ***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 is the responsibility of management and, 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 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 October 15, 2021 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 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,

Harry Afadapa & Associates, PC

Houston, Texas  
October 15, 2021



**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

This discussion and analysis of the Wharton Independent School District's financial statements provides a narrative overview of the District's financial activities for the fiscal year ended June 30, 2021. The information presented here should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Wharton Independent School District's finances in a manner similar to private sector business. They present the financial picture of the District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District as well as all liabilities. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position over time may serve as a useful indicator of whether the financial position of Wharton Independent School District is improving or deteriorating.

The *statement of activities* presents information showing how the district's net position changed during the most recent fiscal year using full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Wharton Independent School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *current sources and uses of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the district. Fiduciary funds are not reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

**District-wide Financial Analysis**

The District's net position as of June 30, 2021 and August 31, 2020 are summarized as follows:

**WHARTON INDEPENDENT SCHOOL DISTRICT'S NET POSITION**

	Governmental Activities		
	6/30/2021	8/31/2020	Change
Current and other assets	\$ 60,432,601	\$ 38,659,001	\$ 21,773,600
Capital assets	30,310,337	30,682,641	(372,304)
Deferred outflow of resources	3,533,715	4,506,497	(972,782)
Total assets	<u>94,276,653</u>	<u>73,848,139</u>	<u>20,428,514</u>
Other liabilities	7,574,872	3,267,902	4,306,970
Long-term liabilities outstanding	84,075,627	66,244,006	17,831,621
Deferred inflow of resources	6,381,114	4,920,409	1,460,705
Total liabilities	<u>98,031,613</u>	<u>74,432,317</u>	<u>23,599,296</u>
Net position:			
Net investment in capital assets	(16,099,141)	(22,786,991)	6,687,850
Restricted	265,797	10,028,970	(9,763,173)
Unrestricted	12,078,384	12,173,843	(95,459)
Total net position	<u>\$ (3,754,960)</u>	<u>\$ (584,178)</u>	<u>\$ (3,170,782)</u>

Current and other assets increased by over \$21.7 million due to the bond \$21.2 million funding in 2021 which was accounted for in the cash and cash equivalent accounts. Capital asset decreased by \$372,304 which is the net difference in total asset additions net of \$1,351,904 in depreciation expense for the fiscal year, and aggregate disposition activity of \$8,326. Deferred outflow of resource decreased by \$972,782 resulting from an aggregate reduction in deferred outflow when compared to prior year. Increase in Other liability and long-term liabilities in an aggregate amount of \$22,138,591 represents the increase in debt obligation in bond issuance of \$21,175,000 net of current year payment of \$1,580,000, and increase in unearned revenue of \$1,717,090, net of other miscellaneous changes in other liability balances. As discussed above, deferred inflow of resources also increased by \$1,460,705 base on current determination of GASB 68 and GASB 75 Financial Reporting requirements. As noted earlier, net position may serve over time as a useful indicator of a district's financial position. In the case of Wharton Independent School District, liability exceeded assets by \$3,754,960 at the close of the most recent fiscal year, June 30, 2021.

The District's net position reflects a negative investment in capital assets when considered in relation to the debt obligation used to acquire those assets that is still outstanding. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$265,797) represents resources that



**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$12,078,384 may be used to meet the District's ongoing obligations to educate the school-age children of Wharton.

.The District's changes in net position for the fiscal years end June 30, 2021 and August 31, 2020 are summarized as follows:

**WHARTON INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET POSITION**

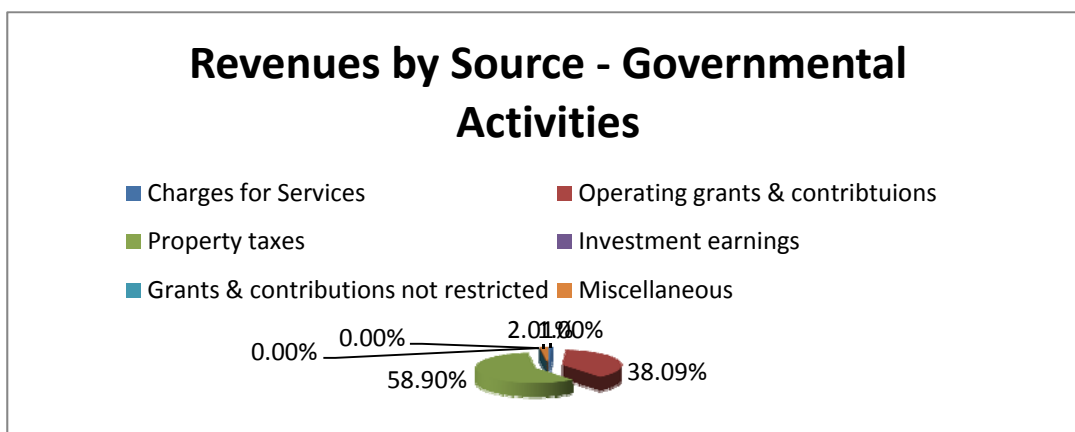
	Governmental Activities		
	6/30/2021	8/31/2020	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 286,015	\$ 98,854	\$ 187,161
Operating grants & contributions	9,300,917	11,038,559	(1,737,642)
General Revenues:			
Property taxes	16,833,943	16,935,481	(101,538)
Investment earnings	-	562,183	(562,183)
Miscellaneous	574,697	374,541	200,156
Total revenues	<u>26,995,572</u>	<u>29,009,618</u>	<u>(2,014,046)</u>
Expenses:			
Instruction	12,696,850	13,094,201	(397,351)
Instructional resources and media	678,147	807,511	(129,364)
Curriculum and staff development	317,697	340,672	(22,975)
Instructional leadership	262,383	301,818	(39,435)
School leadership	1,378,558	1,432,759	(54,201)
Guidance and counseling	1,021,280	1,211,671	(190,391)
Social works services	27,557	687	26,870
Health services	210,315	223,291	(12,976)
Student transportation	894,070	997,270	(103,200)
Food service	1,042,653	1,304,491	(261,838)
Extracurricular activities	679,263	790,469	(111,206)
General administration	1,451,055	1,519,833	(68,778)
Plant maintenance and operations	2,458,624	3,429,601	(970,977)
Security and monitoring services	221,848	175,510	46,338
Data processing services	120,909	129,381	(8,472)
Interest on long-term debt	2,138,086	2,118,347	19,739
Bond Issuance Costs and Fees	3,000	0	3,000
Capital Outlay	3,581,443	9,818,410	(6,236,967)
Payments related to SSA	701,962	768,718	(66,756)
Other Intergovernmental Charges	280,655	292,941	(12,286)
Total expenses	<u>30,166,355</u>	<u>38,757,581</u>	<u>(8,591,226)</u>
Increase in net position	(3,170,783)	(9,747,963)	6,577,180
Net position- beginning	(584,177)	9,163,785	(9,747,962)
Net position ending	<u>\$ (3,754,960)</u>	<u>\$ (584,178)</u>	<u>\$ (3,170,782)</u>

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

The District's net position from current operations decreased by \$3,754,960 when compared to the prior year net decrease of \$9,747,963. Overall revenue decreased by \$2,014,046 and expenditures decreased by \$8,591,226. Some of the key elements of these net differences between 2021 and 2020 are as follows:

- Except for Social work services, Security & monitoring services, Interest on long-term debt, and Bond issuance cost & fees all functional codes of the district experienced some reduction in operational costs due to the shortened period (ten months) when compared to prior year.
- While there was a substantial decrease in revenue of \$2,014,046 when compared to prior year, the overall outlook was expected due to the change in fiscal year ending which shorten to ten (10) months when compared to prior year of twelve (12) months.

The following chart shows the percentage of revenues by major source:



### Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the District's strong fiscal management and accountability.

**Governmental Funds.** The general government functions are reported in the General and Special Revenue Funds. The focus of the District's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the District's governmental funds reported combined ending fund balances of \$55,538,897, an increase of \$18,792,425. \$31,237,761 of this total constitutes unassigned fund balance, which is available for spending at the District's discretion. \$18,919,172 is restricted by external parties, constitutional provisions or enabling legislation to pay debt and for state and federal grants. \$1,201,962 is Non-spendable fund balances. The remaining \$4,180,002 of fund balance has been committed by the Board of Trustees to be used for construction and capital expenditures for equipment.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance in the general fund was \$9,465,749. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 49% of total general fund expenditures.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

The fund balance of the general fund decreased by \$830,538 for the ten months ended June 30, 2021 compared to a decrease of \$404,263 in 2020. Revenue decreased by \$2,399,068 and expenditures decreased by \$1,891,808.

**General Fund Budgetary Highlights**

The Board of Trustees approved a net decrease in the expenditure budget for the fiscal year by \$738,595. Except for total Instructional & Related services, total Instructional & School leadership, and total Support services, all categories had a decrease when compared to prior year.

Overall, budget revenue exceeded actual by \$1,254,966. Local revenue was above budget by \$144,434 primarily in estimated tax collections. The state revenue was under budgeted by \$2,993,333 and the actual federal revenue exceeded budget by \$31,380. Expenditures were under budget by \$1,955,994. Except for social work services, data processing services, total capital outlay and total intergovernmental charges, there were savings in all categories budgetary expenditures.

**Debt Administration**

Debt administration events during the current fiscal year included:

- Additional \$21,175,000 in bond obligation during the fiscal year 2020/2021 school year, and a pay down amount of \$1,580,000 in principal amount.
- Increase in Bond Premium/Discount amount of \$825,000 net an amortization amount of \$33,000.
- Decrease in Net Pension Liability of \$424,704.
- Also Decrease in Net OPEB liability of \$1,760,675.

	Governmental Activities		
	6/30/2021	8/31/2020	Change
General obligation bonds	\$ 72,685,000	\$ 53,090,000	\$ 19,595,000
Bond Premium/Discount	792,000	-	792,000
Net pension liability	6,057,695	6,482,399	(424,704)
Net OPEB liability	6,490,932	8,251,607	(1,760,675)
	<u>\$ 86,025,627</u>	<u>\$ 67,824,006</u>	<u>\$ 18,201,621</u>

**Capital Assets**

	Governmental Activities		
	6/30/2021	8/31/2020	Change
Land	\$ 379,632	\$ 379,632	\$ -
Buildings & Improvements	52,156,363	51,287,396	868,967
Furniture and Equipment	1,244,263	1,228,377	15,886
Vehicles	3,185,234	3,119,734	65,500
Totals	<u>56,965,492</u>	<u>56,015,139</u>	<u>950,353</u>
Less accumulated depreciation	<u>(26,655,154)</u>	<u>(25,332,498)</u>	<u>(1,322,656)</u>
	<u>\$ 30,310,338</u>	<u>\$ 30,682,641</u>	<u>\$ (372,303)</u>

Capital asset events during the year included:

- Capital expenditures District-wide for building and improvement
- Additional Furniture & Equipment were purchased during the fiscal year.
- Additional vehicle purchases during the year.
- Disposition of \$37,574 (net accumulated depreciation of \$29,248) from the furniture and equipment.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2021**

**Economic Factors and Next Year's Budgets and Rates**

The annual budget is developed to provide efficient, effective and controlled use of the District's resources. The District adopted a budget for 2021-2022 that exceeds 2020-2021 by \$211,548. Factors affecting the 2022 budget were as follows:

- \$818,577 increase in Instructional cost for 2021-2022 fiscal year
- \$152,242 decrease in School Leadership cost for 2021-2022 fiscal year
- \$144,693 decrease in Support services (Student) in 2021-2022 fiscal year
- \$107,820 decrease in Administrative support services in 2021-2022 fiscal year
- And \$289,584 decrease in Other support service (Non-student) in 2021-2022 fiscal year

**Request for Information**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Wharton Independent School District, Attention: Chief Financial Officer (CFO), 2100 N. Fulton, Wharton, Texas 77488 or call (979) 532-3612.

## *Basic Financial Statements*



**WHARTON INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET POSITION**

JUNE 30, 2021

Data Control Codes		1	Governmental Activities
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$	23,739,625
1120	Current Investments		33,393,105
1225	Property Taxes Receivable (Net)		444,518
1240	Due from Other Governments		2,732,265
1290	Other Receivables (Net)		12,022
1300	Inventories		78,118
1410	Unrealized Expenses		32,948
Capital Assets:			
1510	Land		379,632
1520	Buildings and Improvements, Net		28,193,349
1530	Furniture and Equipment, Net		1,737,356
1000	Total Assets		90,742,938
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
	Deferred Outflow Related to Pensions		2,461,752
	Deferred Outflow Related to OPEB		1,071,963
1700	Total Deferred Outflows of Resources		3,533,715
<b>LIABILITIES:</b>			
2110	Accounts Payable		355,561
2140	Interest Payable		1,183,858
2165	Accrued Liabilities		2,221,253
2180	Due to Other Governments		3,395
2300	Unearned Revenue		1,860,805
Noncurrent Liabilities:			
2501	Due Within One Year		1,950,000
2502	Due in More Than One Year		71,527,000
2540	Net Pension Liability		6,057,695
2545	Net OPEB Liability		6,490,932
2000	Total Liabilities		91,650,499
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
	Deferred Inflow Related to Pensions		1,419,123
	Deferred Inflow Related to OPEB		4,961,991
2600	Total Deferred Inflows of Resources		6,381,114
<b>NET POSITION:</b>			
3200	Net Investment in Capital Assets		(16,099,141)
Restricted For:			
3850	Debt Service		190,662
3890	Other Purposes		75,135
3900	Unrestricted		12,078,384
3000	Total Net Position	\$	(3,754,960)

The accompanying notes are an integral part of this statement.





## WHARTON INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE TEN MONTHS ENDED JUNE 30, 2021

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
					Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 12,696,850	\$ 21,660	\$ 5,002,152	\$ (7,673,038)
12	Instructional Resources and Media Services	678,147	1,251	206,983	(469,913)
13	Curriculum and Staff Development	317,697	511	122,637	(194,549)
21	Instructional Leadership	262,383	229	191,972	(70,182)
23	School Leadership	1,378,558	2,839	355,871	(1,019,848)
31	Guidance, Counseling, & Evaluation Services	1,021,280	848	695,543	(324,889)
32	Social Work Services	27,557	58	6,789	(20,710)
33	Health Services	210,315	420	58,557	(151,338)
34	Student Transportation	894,070	1,846	217,268	(674,956)
35	Food Service	1,042,653	77,738	880,699	(84,216)
36	Cocurricular/Extracurricular Activities	679,263	50,588	161,896	(466,779)
41	General Administration	1,451,055	2,985	345,380	(1,102,690)
51	Facilities Maintenance and Operations	2,458,624	5,063	576,129	(1,877,432)
52	Security and Monitoring Services	221,848	578	67,997	(153,273)
53	Data Processing Services	120,909	249	27,009	(93,651)
72	Interest on Long-term Debt	2,138,086	17,405	23,795	(2,096,886)
73	Bond Issuance Costs and Fees	3,000	--	--	(3,000)
81	Capital Outlay	3,581,443	100,292	69,695	(3,411,456)
93	Payments Related to Shared Services Arrangements	701,962	1,455	191,560	(508,947)
99	Other Intergovernmental Charges	280,655	--	98,985	(181,670)
TG	Total Governmental Activities	30,166,355	286,015	9,300,917	(20,579,423)
TP	Total Primary Government	<u>\$ 30,166,355</u>	<u>\$ 286,015</u>	<u>\$ 9,300,917</u>	<u>(20,579,423)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purposes				13,192,228
DT	Property Taxes, Levied for Debt Service				3,641,715
MI	Miscellaneous				574,697
TR	Total General Revenues				17,408,640
CN	Change in Net Position				(3,170,783)
NB	Net Position - Beginning				(584,177)
NE	Net Position - Ending				<u>\$ (3,754,960)</u>

The accompanying notes are an integral part of this statement.

# WHARTON INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund
<b>ASSETS:</b>		
1110 Cash and Cash Equivalents	\$ (625,939)	\$ 1,851,634
1120 Current Investments	15,601,758	31,319
1225 Taxes Receivable, Net	265,132	179,386
1240 Due from Other Governments	2,482,415	--
1260 Due from Other Funds	3,229	--
1290 Other Receivables	1,125	10,897
1300 Inventories	43,688	--
1410 Unrealized Expenditures	32,948	--
1000 Total Assets	<u>17,804,356</u>	<u>2,073,236</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2110 Accounts Payable	\$ 341,311	\$ --
2150 Payroll Deductions & Withholdings	7,001	--
2160 Accrued Wages Payable	1,800,325	--
2170 Due to Other Funds	--	--
2180 Due to Other Governments	3,395	--
2200 Accrued Expenditures	39,607	--
2300 Unearned Revenue	1,890,330	423,165
2000 Total Liabilities	<u>4,081,969</u>	<u>423,165</u>
<b>FUND BALANCES:</b>		
Nonspendable Fund Balances:		
3410 Inventories	43,688	--
3415 Long-Term Loans/Notes Receivable	--	1,125,326
3430 Prepaid Items	32,948	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3480 Retirement of Long-Term Debt	--	190,662
3490 Other Restrictions of Fund Balance	--	--
Committed Fund Balances:		
3510 Construction	2,730,000	--
3530 Capital Expenditures for Equipment	700,002	--
Assigned Fund Balances:		
3590 Other Assigned Fund Balance	750,000	--
3600 Unassigned	9,465,749	334,083
Unassigned, Reported in Nonmajor:		
3610 Special Revenue Funds	--	--
3000 Total Fund Balances	<u>13,722,387</u>	<u>1,650,071</u>
4000 Total Liabilities and Fund Balances	<u>\$ 17,804,356</u>	<u>\$ 2,073,236</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 21,766,997	\$ 746,933	\$ 23,739,625
17,760,028	--	33,393,105
--	--	444,518
--	249,850	2,732,265
--	--	3,229
--	--	12,022
--	34,430	78,118
--	--	32,948
<u>39,527,025</u>	<u>1,031,213</u>	<u>60,435,830</u>
\$ --	\$ 14,250	\$ 355,561
--	6,956	13,957
--	360,379	2,160,704
--	3,229	3,229
--	--	3,395
--	6,985	46,592
--	--	2,313,495
<u>--</u>	<u>391,799</u>	<u>4,896,933</u>
--	--	43,688
--	--	1,125,326
--	--	32,948
--	119,087	119,087
--	--	190,662
18,307,036	302,387	18,609,423
--	--	2,730,000
--	--	700,002
--	--	750,000
21,219,989	--	31,019,821
--	217,940	217,940
<u>39,527,025</u>	<u>639,414</u>	<u>55,538,897</u>
<u>\$ 39,527,025</u>	<u>\$ 1,031,213</u>	<u>\$ 60,435,830</u>



**WHARTON INDEPENDENT SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021*

Total fund balances - governmental funds balance sheet	\$ 55,538,897
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	30,310,337
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	452,691
Payables for bond principal which are not due in the current period are not reported in the funds.	(72,685,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,183,858)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(6,057,695)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,419,123)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	2,461,752
Bond premiums are amortized in the SNA but not in the funds.	(825,000)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(6,490,932)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(4,961,991)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>1,104,962</u>
Net position of governmental activities - Statement of Net Position	\$ <u>(3,754,960)</u>

The accompanying notes are an integral part of this statement.

**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2021**

Data Control Codes	10 General Fund	50 Debt Service Fund
<b>REVENUES:</b>		
5700 <i>Local and Intermediate Sources</i>	\$ 13,578,204	\$ 3,671,759
5800 <i>State Program Revenues</i>	4,749,659	23,795
5900 <i>Federal Program Revenues</i>	151,380	--
5020 <b>Total Revenues</b>	<u>18,479,243</u>	<u>3,695,554</u>
<b>EXPENDITURES:</b>		
Current:		
0011 <i>Instruction</i>	9,521,881	--
0012 <i>Instructional Resources and Media Services</i>	565,717	--
0013 <i>Curriculum and Staff Development</i>	231,116	--
0021 <i>Instructional Leadership</i>	102,917	--
0023 <i>School Leadership</i>	1,284,840	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	384,180	--
0032 <i>Social Work Services</i>	27,170	--
0033 <i>Health Services</i>	189,908	--
0034 <i>Student Transportation</i>	835,697	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	630,037	--
0041 <i>General Administration</i>	1,356,875	--
0051 <i>Facilities Maintenance and Operations</i>	2,290,320	--
0052 <i>Security and Monitoring Services</i>	260,870	--
0053 <i>Data Processing Services</i>	113,793	--
0071 <i>Principal on Long-term Debt</i>	--	1,580,000
0072 <i>Interest on Long-term Debt</i>	--	987,228
0073 <i>Bond Issuance Costs and Fees</i>	--	3,000
0081 <i>Capital Outlay</i>	657,337	--
0093 <i>Payments to Shared Service Arrangements</i>	657,453	--
0099 <i>Other Intergovernmental Charges</i>	280,655	--
6030 <b>Total Expenditures</b>	<u>19,390,766</u>	<u>2,570,228</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>		
1100 <b>Expenditures</b>	<u>(911,523)</u>	<u>1,125,326</u>
Other Financing Sources and (Uses):		
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	--
7915 <i>Transfers In</i>	98,985	--
8911 <i>Transfers Out</i>	(18,000)	--
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>80,985</u>	<u>--</u>
1200 <b>Net Change in Fund Balances</b>	<u>(830,538)</u>	<u>1,125,326</u>
0100 <b>Fund Balances - Beginning</b>	14,552,925	524,745
3000 <b>Fund Balances - Ending</b>	<u>\$ 13,722,387</u>	<u>\$ 1,650,071</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 100,109	\$ 116,521	\$ 17,466,593
--	1,422,258	6,195,712
--	2,953,825	3,105,205
<u>100,109</u>	<u>4,492,604</u>	<u>26,767,510</u>
--	2,329,251	11,851,132
--	66,501	632,218
--	63,769	294,885
--	140,997	243,914
--	3,635	1,288,475
--	553,743	937,923
--	--	27,170
--	6,638	196,546
--	706	836,403
--	961,592	961,592
--	1,419	631,456
--	3,630	1,360,505
--	44,628	2,334,948
--	--	260,870
--	--	113,793
--	--	1,580,000
--	--	987,228
--	--	3,000
3,793,073	--	4,450,410
--	44,509	701,962
--	--	280,655
<u>3,793,073</u>	<u>4,221,018</u>	<u>29,975,085</u>
<u>(3,692,964)</u>	<u>271,586</u>	<u>(3,207,575)</u>
22,000,000	--	22,000,000
--	18,069	117,054
--	(99,054)	(117,054)
<u>22,000,000</u>	<u>(80,985)</u>	<u>22,000,000</u>
18,307,036	190,601	18,792,425
21,219,989	448,813	36,746,472
<u>\$ 39,527,025</u>	<u>\$ 639,414</u>	<u>\$ 55,538,897</u>

**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 TEN MONTHS ENDED JUNE 30, 2021*

Net change in fund balances - total governmental funds	\$ 18,792,425
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	987,926
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,360,231)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	228,063
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,580,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(1,183,858)
Bond premiums are reported in the funds but not in the SOA.	33,000
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(22,000,000)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(248,108)</u>
Change in net position of governmental activities - Statement of Activities	\$ <u><u>(3,170,783)</u></u>

The accompanying notes are an integral part of this statement.



**WHARTON INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****JUNE 30, 2021**

Data Control Codes		Investment Trust Fund	Private Purpose Trust	Custodial Funds
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ 152,953
1800	Restricted Assets	40,000	61,995	--
1000	Total Assets	40,000	61,995	152,953
<b>LIABILITIES:</b>				
Current Liabilities:				
2150	Payroll Deduction & Withholdings	\$ --	\$ --	\$ 297,360
2000	Total Liabilities	--	--	297,360
<b>NET POSITION:</b>				
3800	Held in Trust for Investments	40,000	--	--
3800	Held in Trust	--	61,995	--
2190	Restricted for Other Purposes	--	--	(144,407)
3000	Total Net Position	\$ 40,000	\$ 61,995	\$ 152,953

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 TEN MONTHS ENDED JUNE 30, 2021*

	Investment Trust Funds	Private Purpose Trusts
<b>ADDITIONS:</b>		
Investment Income	\$ --	\$ 292
Contributions from Foundations, Gifts and Bequests	--	8,310
Total Additions	--	8,602
<b>DEDUCTIONS:</b>		
Scholarship Awards	--	--
Administrative Expenses	--	--
Total Deductions	--	--
<b>Change in Fiduciary Net Position</b>	--	8,602
Net Position-Beginning of the Year	40,000	53,393
Net Position-End of the Year	<u>\$ 40,000</u>	<u>\$ 61,995</u>

# WHARTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

### 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. This is a government fund with budgetary control which is used to show transactions resulting from operations of on-going organizations and activities from a variety of revenue sources for which fund balance is controlled by and retained for use of the District.

Debt Service Fund - A debt service fund is a government fund, with budgetary control, that must be used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedicated.

# WHARTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

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.

**Custodial Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Custodial 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 TEN MONTHS ENDED JUNE 30, 2021

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.

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.

## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

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.

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.

# WHARTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

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.

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,

## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

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. 92, *Omnibus 2020*

Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.*

The District has adopted paragraphs 4 and 5 of GASB Statement No. 92. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

#### 7. Future Implementation of New Standards

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.



## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

The effective dates for the following pronouncements are postponed by one year:

Statement No. 84, *Fiduciary Activities*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 90, *Majority Equity Interests*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates for the following pronouncements are postponed by 18 months:

Statement No. 87, *Leases*

#### **B. 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 June 30, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$23,739,626 and the bank balance was \$24,474,889. The District's cash deposits at June 30, 2021 and during the period ended June 30, 2021, 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.

## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

The District's investments at June 30, 2021 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	N/A	\$ 15,314,080
TexPool	N/A	18,079,025
Total Investments		<u>\$ 33,393,105</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 TEN MONTHS ENDED JUNE 30, 2021

#### Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

#### Lone Star

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

#### TexPool

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

#### **C. Disaggregated Receivables**

Receivables at August 31, 2020 for the District's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible amounts are as follows and are scheduled for collection within one year:

	General Fund	Debt Service	Other Governmental	Totals
Taxes	\$ 864,746	\$ 205,976	\$ --	\$ 1,070,722
Less allowance	(599,614)	(26,590)	--	(626,204)
Net taxes receivable	\$ 265,132	\$ 179,386	\$ --	\$ 444,518

# WHARTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

Due from other Governments:

Due from Tax Assessor	\$	--	\$	--	\$	--	\$	--
Texas Education Agency		2,482,415		--		249,850		2,732,265
	\$	2,482,415	\$	--	\$	249,850	\$	2,732,265

### D. Capital Assets

Capital asset activity for the period ended 2021, Wharton Independent School District, was as follows:

	Revised Beginn. Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<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	51,287,396	868,967	--	52,156,363
Equipment	1,228,377	53,460	(37,574)	1,244,263
Vehicles	3,119,734	65,499	--	3,185,233
Total capital assets being depreciated	55,635,507	908,343	(37,574)	56,585,859
Less accumulated depreciation for:				
Buildings and improvements	(22,920,221)	(1,042,793)	--	(23,963,014)
Equipment	(585,510)	(79,216)	29,248	(635,478)
Vehicles	(1,826,767)	(229,895)	--	(2,056,662)
Total accumulated depreciation	(25,332,498)	(1,351,904)	29,248	(26,655,154)
Total capital assets being depreciated, net	30,303,009	(443,561)	(8,326)	29,930,705
Governmental activities capital assets, net	\$ 30,682,641	\$ (443,561)	\$ (8,326)	\$ 30,310,337

Annual depreciation expense was \$1,351,904, and disposition of assets were \$37,574.

Instruction	\$ 687,216
Instructional Resources and Media Services	42,380
Curriculum and Staff Development	17,879
Instructional Leadership	15,840
School Leadership	75,195
Guidance, Counseling, & Evaluation Services	63,591
Social Work Services	36
Health Services	11,719
Student Transportation	52,339
Food Services	68,463
Extracurricular Activities	41,486
General Administration	79,765
Plant Maintenance and Operations	179,994
Security and Monitoring Services	9,211
Data Processing Services	6,790
	<u>\$ 1,351,904</u>

### E. Interfund Balances and Activities

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

Balances due to and due from other funds at 2021, Wharton Independent School District, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	3,229	
	Total	<u>\$ 3,229</u>	Repayment within a year.

# WHARTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

### F. Long-Term Obligations

#### General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are direct obligations and pledge the full faith and credit of the District and are comprised of current interest and capital appreciation bonds as noted below:

#### Advance Refunding

General Obligation Bonds	Sale Date	Original Borrowed	Interest Rate to Maturity	Final Maturity	Outstanding Balance
Series 2013, Refunding Bond	15-Feb-2013	8,894,997	3.00%- 4.75%	15-Aug-2031	\$ 6,155,000
Series 2014, School Bonds	01-Feb-2014	9,204,999	3.00% - 4.00%	15-Aug-2037	8,005,000
Series 2016, Refunding Bond	01-Feb-2016	3,225,000	3.00% - 4.75%	15-Aug-2037	3,225,000
Series 2019, U/L Tax Bond	15-Feb-2019	14,855,000	3.00% - 5.00%	31-Aug-2044	14,230,000
Series 2019A, U/L Tax Bond	25-Jun-2019	20,685,000	3.00% - 5.00%	31-Aug-2045	19,895,000
Series 2021, U/L Tax Bond	15-Mar-2021	21,175,000	3.00% - 5.00%	31-Aug-2046	21,175,000
					<u>\$ 72,685,000</u>

#### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended June 30, 2021, Wharton Independent School District, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 53,090,000	\$ 21,175,000	\$ 1,580,000	\$ 72,685,000	\$ 1,950,000
Bond Premium/Discount	--	825,000	33,000	792,000	--
Net OPEB Liability	8,251,607	(1,630,894)	129,781	6,490,932	--
Net Pension Liability *	6,482,399	41,972	466,676	6,057,695	--
Total governmental activities	<u>\$ 67,824,006</u>	<u>\$ 20,411,078</u>	<u>\$ 2,209,457</u>	<u>\$ 86,025,627</u>	<u>\$ 1,950,000</u>

#### 2. Debt Service Requirements

Debt service requirements on long-term debt at 2021, Wharton Independent School District, are as follows:

Year Ending	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2022	\$ 2,035,000	2,445,064	--	\$ --	\$ 4,480,064
2023	2,175,000	2,346,814	--	--	4,521,814
2024	2,275,000	2,245,521	--	--	4,520,521
2025	2,370,000	2,142,396	--	--	4,512,396
2026	2,475,000	2,036,308	--	--	4,511,308
2027-2031	14,030,000	8,443,753	--	--	22,473,753
2032-2036	17,205,000	5,583,930	--	--	22,788,930
2037-2041	16,205,000	2,981,499	--	--	19,186,499
2042-2046	13,915,000	795,738	--	--	14,710,738
Totals	<u>\$ 72,685,000</u>	<u>\$ 29,021,023</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 101,706,023</u>

## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

#### G. 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 Wharton Independent School District, 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.

#### H. Pension Plan

##### 1. Plan Description

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

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

##### 2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

##### 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.

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.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

#### 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<b><u>Contribution Rates</u></b>	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2021 Employer Contributions	\$ 468,611	\$ 540,654
District's 2021 Member Contributions	\$ 1,099,625	\$ 1,166,379
2020 NECE On-Behalf Contributions (state)	\$ 647,549	\$ 792,117

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding 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.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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.

## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

- 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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution

#### 5. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

#### 6. Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:



# WHARTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

Asset Class	FY 2019 Target Allocation *	New Target Allocation **	Long-Term Expected Geometric Real Rate of Return ***
<b>Global Equity</b>			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
<b>Stable Value</b>			
U.S. Treasuries ****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds ****	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources & Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	8.0%	5.8%/6.5%*****
<b>Leverage</b>			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
<b>Expected Return</b>	<b>100.0%</b>	<b>100.0%</b>	<b>7.23%</b>
<p>* Target allocations are based on the Strategic Asset Allocation as of FY2019</p> <p>** New allocations are based on the Strategic Asset Allocation to be implemented FY2020</p> <p>*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%</p> <p>**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds</p> <p>***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility</p>			

### 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 (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 9,340,857	\$ 6,057,695	\$ 3,390,197

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

At June 30, 2021, the District reported a liability of \$6,057,695 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:

## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

District's proportionate share of the collective net pension liability	\$ 6,057,695
State's proportionate share that is associated with District	<u>10,282,099</u>
Total	<u>\$ 16,339,794</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0113105407%. which was an increase (decrease) of 0.0011596585% from its proportion measured as of August 31, 2019.

#### Changes Since the Prior Actuarial Valuation -

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended June 30, 2021, the District recognized pension expense of \$2,165,806 and revenue of \$1,236,708 for support provided by the State.

At June 30, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,061	\$ 169,054
Changes in actuarial assumptions	1,405,601	597,652
Difference between projected and actual investment earnings	122,633	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	462,882	652,417
Contributions paid to TRS subsequent to the measurement date	<u>459,575</u>	<u>--</u>
Total	<u>\$ 2,461,752</u>	<u>\$ 1,419,123</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:

# WHARTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

Year Ended June 30	Pension Expense Amount
2022	\$ 212,502
2023	\$ 270,747
2024	\$ 246,627
2025	\$ 7,443
2026	\$ (129,013)
Thereafter	\$ (25,252)

### I. 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>, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

#### 3. Benefits Provided

TRS-Care provides health insurance coverage to 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. 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 retirees are reflected in the following table.

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

#### 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

## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% 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% 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		
	2020	2021
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 2021 Employer Contributions	\$ 115,524	\$ 140,953
District's 2021 Member Contributions	\$ 1,099,625	\$ 1,166,379
2020 NECE On-Behalf Contributions (state)	\$ 164,540	\$ 174,392

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay 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 \$73.6 million in fiscal year 2019.

#### 5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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 TEN MONTHS ENDED JUNE 30, 2021

### Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
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.
Projected Salary Increases	3.05% to 9.05%, including inflation *
Healthcare Trend Rates	7.30% **
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. ***
Ad Hoc Post-Employment Benefit Changes	None

\* Includes inflation at 2.5%.

\*\*7.3% for FY2020, 7.4% for FY 2021, 7.0% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years.

\*\*\* 25% of pre-65 retirees are assumed to discontinue coverage at age 65.

### 6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% 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 (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	\$ 7,789,104	\$ 6,490,932	\$ 5,465,563

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

At June 30, 2021, the District reported a liability of \$6,490,932 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	\$ 6,490,932
State's proportionate share that is associated with the District	\$ 8,722,257
Total	<u>\$ 15,213,189</u>

# WHARTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

The Net OPEB liability was measured as of August 31, 2020 and rolled forward to June 30, 2021 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, 2019 thru August 31, 2020.

At August 31, 2021 the District's proportion of the collective net OPEB liability was 0.0170748776% , which was an increase (decrease) of 0.0003736152% from its proportion measured as of August 31, 2019.

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	\$ 5,302,260	\$ 6,490,932	\$ 8,074,075

### 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 (TOL) since the prior measurement period:

- The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2021, the District recognized OPEB expense of \$(161,703) and revenue of \$(60,564) for support provided by the State.

At June 30, 2021, 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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 339,863	\$ 2,970,582
Changes in actuarial assumptions	400,356	1,782,443
Differences between projected and actual investment earnings	2,110	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	209,358	208,966
Contributions paid to TRS subsequent to the measurement date	120,276	--
Total	\$ 1,071,963	\$ 4,961,991

## WHARTON INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

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,	OPEB Expense Amount
2022	\$ (664,068)
2023	\$ (664,349)
2024	\$ (664,511)
2025	\$ (664,469)
2026	\$ (491,094)
Thereafter	\$ (861,813)

#### 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 June 30, 2021, the subsidy payment received by TRS-Care on behalf of the District was \$74,758

#### J. Employee Health Care Coverage

During the period ended 2021, Wharton Independent School District, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$397 per pay period per employee and dependents to the Plan. All premiums were paid to a self-funded pool. 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 licensed insurer is renewable , and terms of coverage and premium costs are included in the contractual provisions.

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

#### K. 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 June 30, 2021.

#### L. 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

# WHARTON INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE TEN MONTHS ENDED JUNE 30, 2021

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 2021.

<u>Member Districts</u>	<u>Expenditures</u>
Wharton ISD	\$ 1,074,538
Boling ISD	405,531
East Bernard ISD	362,417
Total	<u>\$ 1,842,486</u>

### M. Disaggregated Revenue

During the period ended June 30, 2021, revenues reported in the fund financial statements from local sources consisted of the following:

	General Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Totals
Property taxes	\$ 12,827,204	\$ 3,630,951	\$	\$ --	\$ 16,458,155
Penalties & interest	124,323	23,403		--	147,726
Athletic receipts	49,195	--		20,363	69,558
Rent	13,183	--		--	13,183
Investment earnings	41,568	17,405	100,109	--	159,082
Other	522,731	--		18,420	541,151
Food service fees	--	--		77,738	77,738
	<u>\$ 13,578,204</u>	<u>\$ 3,671,759</u>	<u>\$ 100,109</u>	<u>\$ 116,521</u>	<u>\$ 17,466,593</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.



# WHARTON INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE TEN MONTHS ENDED JUNE 30, 2021

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 13,433,770	\$ 13,433,770	\$ 13,578,204	\$ 144,434
5800	State Program Revenues	7,742,992	7,742,992	4,749,659	(2,993,333)
5900	Federal Program Revenues	120,000	120,000	151,380	31,380
5020	Total Revenues	21,296,762	21,296,762	18,479,243	(2,817,519)
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	10,202,222	10,202,222	9,521,881	680,341
0012	Instructional Resources and Media Services	640,423	640,423	565,717	74,706
0013	Curriculum and Staff Development	319,412	319,412	231,116	88,296
	Total Instruction & Instr. Related Services	11,162,057	11,162,057	10,318,714	843,343
Instructional and School Leadership:					
0021	Instructional Leadership	129,379	129,379	102,917	26,462
0023	School Leadership	1,675,022	1,675,022	1,284,840	390,182
	Total Instructional & School Leadership	1,804,401	1,804,401	1,387,757	416,644
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	471,418	471,418	384,180	87,238
0032	Social Work Services	20,000	20,000	27,170	(7,170)
0033	Health Services	167,349	167,349	189,908	(22,559)
0034	Student (Pupil) Transportation	992,689	992,689	835,697	156,992
0036	Cocurricular/Extracurricular Activities	544,280	544,280	630,037	(85,757)
	Total Support Services - Student (Pupil)	2,195,736	2,195,736	2,066,992	128,744
Administrative Support Services:					
0041	General Administration	1,371,400	1,371,400	1,356,875	14,525
	Total Administrative Support Services	1,371,400	1,371,400	1,356,875	14,525
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	3,511,173	3,511,173	2,290,320	1,220,853
0052	Security and Monitoring Services	261,123	261,123	260,870	253
0053	Data Processing Services	102,589	102,589	113,793	(11,204)
	Total Support Services - Nonstudent Based	3,874,885	3,874,885	2,664,983	1,209,902
Debt Service:					
0073	Bond Issuance Costs and Fees	1,275	1,275	-	1,275
	Total Debt Service	1,275	1,275	-	1,275
Capital Outlay:					
0081	Capital Outlay	5,000	5,000	657,337	(652,337)
	Total Capital Outlay	5,000	5,000	657,337	(652,337)
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	635,007	635,007	657,453	(22,446)
0099	Other Intergovernmental Charges	296,999	296,999	280,655	16,344
	Total Intergovernmental Charges	932,006	932,006	938,108	(6,102)
6030	Total Expenditures	21,346,760	21,346,760	19,390,766	1,955,994
1100	Excess (Deficiency) of Revenues Over (Under)				

# WHARTON INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE TEN MONTHS ENDED JUNE 30, 2021

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Expenditures	(49,998)	(49,998)	(911,523)	(861,525)
	Other Financing Sources (Uses):				
7915	Transfers In	--	--	98,985	98,985
8911	Transfers Out	--	--	(18,000)	(18,000)
7080	Total Other Financing Sources and (Uses)	--	--	80,985	80,985
1200	Net Change in Fund Balance	(49,998)	(49,998)	(830,538)	(780,540)
0100	Fund Balance - Beginning	14,750,471	14,750,471	14,552,925	(197,546)
3000	Fund Balance - Ending	\$ 14,700,473	\$ 14,700,473	\$ 13,722,387	\$ (978,086)

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

**EXHIBIT G-2**

Measurement period ending August 31,	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset)	0.0113105%	0.0124702%	0.0120052%	0.0130985%	0.0116409%	0.0123346%	0.0084696%	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 6,057,695	\$ 6,482,399	\$ 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	10,282,099	9,617,686	10,942,183	6,469,299	7,716,776	7,730,265	6,671,691	--	--	--
Total	\$ 16,339,794	\$ 16,100,085	\$ 17,550,156	\$ 10,657,500	\$ 12,115,713	\$ 12,090,382	\$ 8,934,038	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 14,280,482	\$ 13,600,906	\$ 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	42.42%	47.66%	48.58%	31.10%	32.53%	35.02%	18.18%	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	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**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**LAST TEN FISCAL YEARS \***

**EXHIBIT G-3**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 540,654	\$ 468,611	\$ 208,408	\$ 203,461	\$ 206,563	\$ 206,928	\$ 202,446	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(540,654)	(468,611)	(208,408)	(203,461)	(206,563)	(206,928)	(202,446)	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 15,147,767	\$ 14,280,842	\$ 13,600,922	\$ 13,466,446	\$ 13,523,052	\$ 12,450,291	\$ 12,444,224	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	3.57%	3.28%	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**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**LAST TEN FISCAL YEARS \***

**EXHIBIT G-4**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective net OPEB liability	0.0170749%	0.0174485%	0.0170460%	0.0170105%	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	6,490,932 \$	8,251,607 \$	8,511,221 \$	7,397,247 \$	--	\$	--	\$	--	\$
State proportionate share of the collective net OPEB liability associated with the District	8,722,257 \$	10,964,539 \$	11,038,418 \$	10,079,874 \$	--	\$	--	\$	--	\$
Total	15,213,189 \$	19,216,146 \$	19,549,639 \$	17,477,121 \$	--	\$	--	\$	--	\$
District's covered-employee payroll	14,280,482 \$	13,600,906 \$	13,600,922 \$	11,380,380 \$	--	\$	--	\$	--	\$
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	45.45%	60.67%	62.58%	65.00%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	1.57%	0.91%	--	--	--	--	--	--

\* 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**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**LAST TEN FISCAL YEARS \***

**EXHIBIT G-5**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily or contractually required District contribution	\$ 140,953	\$ 115,524	\$ 102,007	\$ 100,978	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(140,953)	(115,524)	(102,007)	(100,978)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 15,147,767	\$ 14,280,842	\$ 13,600,922	\$ 11,380,380	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.93%	0.81%	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 TEN MONTHS ENDED JUNE 30, 2021

### 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 June 20 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.

The District exceeded its budget in various categories:-

- [1] Social work services by \$7,170
- [2] Health services by \$22,559
- [3] Cocurricular/ Extra curricular activities by \$85,757
- [4] Data processing services by \$11,204
- [5] Capital outlay by \$652,337
- [6] Payment to Fiscal agent / Member Dist.-SSA by \$22,446

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.

### Other Post-Employment Benefit Plan

#### *Changes of benefit terms*

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

#### *Changes of assumptions*

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.



*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.

# WHARTON INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2021

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	242 Summer Food Service Program
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 180	\$ 89,101	\$ 33,943
1240	Due from Other Governments	71,469	55,842	--
1300	Inventories	--	34,430	--
1000	Total Assets	<u>71,649</u>	<u>179,373</u>	<u>33,943</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ --
2150	Payroll Deductions & Withholdings	--	1,037	3,649
2160	Accrued Wages Payable	69,931	65,108	--
2170	Due to Other Funds	180	1,501	--
2200	Accrued Expenditures	<u>1,538</u>	<u>1,432</u>	<u>--</u>
2000	Total Liabilities	<u>71,649</u>	<u>69,078</u>	<u>3,649</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	102,176	16,911
3490	Other Restrictions of Fund Balance	--	--	--
Unassigned, Reported in Nonmajor:				
3610	Special Revenue Funds	<u>--</u>	<u>8,119</u>	<u>13,383</u>
3000	Total Fund Balances	<u>--</u>	<u>110,295</u>	<u>30,294</u>
4000	Total Liabilities and Fund Balances	<u>\$ 71,649</u>	<u>\$ 179,373</u>	<u>\$ 33,943</u>

244 Career and Tech Education Basic Grant	255 ESEA Title II Training & Recruiting	313 IDEA-B Formula	314 IDEA-B Preschool	437 Special Education
\$ --	\$ 38	\$ 227	\$ --	\$ 574,056
14,250	--	105,133	3,156	--
--	--	--	--	--
<u>14,250</u>	<u>38</u>	<u>105,360</u>	<u>3,156</u>	<u>574,056</u>
\$ 14,250	\$ --	\$ --	\$ --	\$ --
--	--	--	--	2,270
--	--	102,778	3,156	119,406
--	38	252	--	1,258
--	--	2,261	69	1,685
<u>14,250</u>	<u>38</u>	<u>105,291</u>	<u>3,225</u>	<u>124,619</u>
--	--	--	--	--
--	--	69	(69)	212,433
--	--	--	--	237,004
<u>--</u>	<u>--</u>	<u>69</u>	<u>(69)</u>	<u>449,437</u>
<u>\$ 14,250</u>	<u>\$ 38</u>	<u>\$ 105,360</u>	<u>\$ 3,156</u>	<u>\$ 574,056</u>



**WHARTON INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS**

JUNE 30, 2021

Data Control Codes		461 Campus Activity Funds	499 Wharton County Community Foundation	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 40,238	\$ 9,150	\$ 746,933
1240	Due from Other Governments	--	--	249,850
1300	Inventories	--	--	34,430
1000	Total Assets	<u>40,238</u>	<u>9,150</u>	<u>1,031,213</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ 14,250
2150	Payroll Deductions & Withholdings	--	--	6,956
2160	Accrued Wages Payable	--	--	360,379
2170	Due to Other Funds	--	--	3,229
2200	Accrued Expenditures	--	--	6,985
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>391,799</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	119,087
3490	Other Restrictions of Fund Balance	45,069	44,885	302,387
Unassigned, Reported in Nonmajor:				
3610	Special Revenue Funds	<u>(4,831)</u>	<u>(35,735)</u>	<u>217,940</u>
3000	Total Fund Balances	<u>40,238</u>	<u>9,150</u>	<u>639,414</u>
4000	Total Liabilities and Fund Balances	<u>\$ 40,238</u>	<u>\$ 9,150</u>	<u>\$ 1,031,213</u>

# WHARTON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE TEN MONTHS ENDED JUNE 30, 2021

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	242 Summer Food Service Program	244 Career and Tech Education Basic Grant
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ --	\$ 77,738	\$ --	\$ --
5800	State Program Revenues	--	35,741	--	--
5900	Federal Program Revenues	719,680	844,958	--	14,970
5020	Total Revenues	719,680	958,437	--	14,970
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	719,680	--	--	14,970
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	--	--	--	--
0021	Instructional Leadership	--	--	--	--
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	--
0033	Health Services	--	--	--	--
0034	Student Transportation	--	--	--	--
0035	Food Service	--	961,592	--	--
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0041	General Administration	--	--	--	--
0051	Facilities Maintenance and Operations	--	--	--	--
0093	Payments to Shared Service Arrangements	--	--	--	--
6030	Total Expenditures	719,680	961,592	--	14,970
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(3,155)	--	--
Other Financing Sources and (Uses):					
7915	Transfers In	--	18,000	--	--
8911	Transfers Out	--	--	--	--
7080	Total Other Financing Sources and (Uses)	--	18,000	--	--
1200	Net Change in Fund Balances	--	14,845	--	--
0100	Fund Balances - Beginning	--	95,450	30,294	--
3000	Fund Balances - Ending	\$ --	\$ 110,295	\$ 30,294	\$ --



1	255 ESEA Title II Training & Recruiting	266 Cares Act Coronavirus Relief Fund (CRF)	270 ESEA, Title VI Part B, Subpart 2 Rural School	276 Title I SIP Academy Grant	289 Emergency Impact Aid LEA
	\$ --	\$ --	\$ --	\$ --	\$ --
	--	--	--	--	--
	78,029	207,657	37,340	332,443	62,401
	78,029	207,657	37,340	332,443	62,401
	15,452	207,657	37,340	233,458	3,223
	--	--	--	--	12,500
	62,577	--	--	--	535
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	6,638
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	39,505
	--	--	--	--	--
	78,029	207,657	37,340	233,458	62,401
	--	--	--	98,985	--
	--	--	--	--	--
	--	--	--	(98,985)	--
	--	--	--	(98,985)	--
	--	--	--	--	--
	--	--	--	--	--
	\$ --	\$ --	\$ --	\$ --	\$ --

# WHARTON INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE TEN MONTHS ENDED JUNE 30, 2021

Data Control Codes	313 IDEA-B Formula	314 IDEA-B Preschool	410 State Textbook Fund	427 State Funded Special Revenue Fund
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	116,818	3,630
5900 <i>Federal Program Revenues</i>	634,659	21,688	--	--
5020 <b>Total Revenues</b>	<u>634,659</u>	<u>21,688</u>	<u>116,818</u>	<u>3,630</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	338,743	21,688	116,818	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	--	--
0021 <i>Instructional Leadership</i>	--	--	--	--
0023 <i>School Leadership</i>	--	--	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	295,916	--	--	--
0033 <i>Health Services</i>	--	--	--	--
0034 <i>Student Transportation</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	3,630
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	--	--
6030 <b>Total Expenditures</b>	<u>634,659</u>	<u>21,688</u>	<u>116,818</u>	<u>3,630</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	69	--	--	--
8911 <i>Transfers Out</i>	--	(69)	--	--
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>69</u>	<u>(69)</u>	<u>--</u>	<u>--</u>
1200 <b>Net Change in Fund Balances</b>	<u>69</u>	<u>(69)</u>	<u>--</u>	<u>--</u>
0100 <b>Fund Balances - Beginning</b>	--	--	--	--
3000 <b>Fund Balances - Ending</b>	<u>\$ 69</u>	<u>\$ (69)</u>	<u>\$ --</u>	<u>\$ --</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 C-2)
\$	--	\$ 6,620	\$ 20,363	\$ 11,800	\$ 116,521
	49,754	1,216,315	--	--	1,422,258
	--	--	--	--	2,953,825
	<u>49,754</u>	<u>1,222,935</u>	<u>20,363</u>	<u>11,800</u>	<u>4,492,604</u>
	--	612,836	4,607	2,779	2,329,251
	49,754	--	4,247	--	66,501
	--	--	--	657	63,769
	--	140,997	--	--	140,997
	--	--	3,635	--	3,635
	--	257,827	--	--	553,743
	--	--	--	--	6,638
	--	706	--	--	706
	--	--	--	--	961,592
	--	--	1,419	--	1,419
	--	--	--	--	3,630
	--	5,123	--	--	44,628
	--	44,509	--	--	44,509
	<u>49,754</u>	<u>1,061,998</u>	<u>13,908</u>	<u>3,436</u>	<u>4,221,018</u>
	--	160,937	6,455	8,364	271,586
	--	--	--	--	18,069
	--	--	--	--	(99,054)
	--	--	--	--	(80,985)
	--	160,937	6,455	8,364	190,601
	--	288,500	33,783	786	448,813
\$	<u>--</u>	<u>449,437</u>	<u>40,238</u>	<u>9,150</u>	<u>639,414</u>

# WHARTON INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-3

CAPITAL PROJECTS FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE TEN MONTHS ENDED JUNE 30, 2021

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	<b>REVENUES:</b>			
5700	<i>Local and Intermediate Sources</i>	\$ 100,110	\$ 100,109	\$ (1)
5020	Total Revenues	100,110	100,109	(1)
	<b>EXPENDITURES:</b>			
	Capital Outlay:			
0081	<i>Capital Outlay</i>	3,825,500	3,793,073	32,427
	Total Capital Outlay	3,825,500	3,793,073	32,427
6030	Total Expenditures	3,825,500	3,793,073	32,427
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(3,725,390)	(3,692,964)	32,426
	Other Financing Sources (Uses):			
7911	<i>Capital-Related Debt Issued (Regular Bonds)</i>	--	22,000,000	22,000,000
7080	Total Other Financing Sources and (Uses)	--	22,000,000	22,000,000
1200	Net Change in Fund Balance	(3,725,390)	18,307,036	22,032,426
0100	Fund Balance - Beginning	21,219,989	21,219,989	--
3000	Fund Balance - Ending	\$ 17,494,599	\$ 39,527,025	\$ 22,032,426

**WHARTON INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2021

Data Control Codes		863  Payroll Clearing	865  Student Activity	Total Agency Funds (See Exhibit E-1)
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 26,019	\$ 126,934	\$ 152,953
1000	Total Assets	<u>26,019</u>	<u>126,934</u>	<u>152,953</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2150	Payroll Deduction & Withholdings	\$ 297,360	\$ --	\$ 297,360
2000	Total Liabilities	<u>297,360</u>	<u>--</u>	<u>297,360</u>
<b>NET POSITION:</b>				
2190	Restricted for Other Purposes	(271,341)	126,934	(144,407)
3000	Total Net Position	<u>\$ 26,019</u>	<u>\$ 126,934</u>	<u>\$ 152,953</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 TEN MONTHS ENDED JUNE 30, 2021*

Year Ended August 31	1		2	3
	Tax Rates		Assessed/Appraised	
	Maintenance	Debt Service	Value For School	
			Tax Purposes	
2012 and Prior Years	\$ Various	\$ Various	\$ Various	
2013	1.0401	0.1859	918,098,031	
2014	1.0401	0.1748	958,224,134	
2015	1.0401	0.1570	1,003,410,826	
2016	1.0401	0.1570	912,298,722	
2017	1.1700	0.0270	988,205,514	
2018	1.1700	0.0270	1,146,091,562	
2019	1.0900	0.1070	1,353,600,167	
2020	1.0165	0.2807	1,292,121,884	
'2021 (School Year Under Audit)	1.0028	0.2836	1,308,062,802	

1000 Totals

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



10	20	31	32	40	50
Beginning Balance 09/01/2020	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 06/30/2021
\$ 195,939	\$ --	\$ 6,918	\$ 262	(234)	\$ 188,526
25,406	--	1,810	245	(27)	23,324
28,100	--	3,178	724	--	24,198
39,227	--	3,784	646	--	34,796
36,647	--	4,690	944	--	31,013
53,598	--	(27,292)	383	(40,903)	39,604
76,388	--	(11,668)	561	(33,762)	53,734
219,615	--	56,599	5,004	(912)	157,100
279,780	--	81,398	35,728	(16,819)	145,835
--	16,770,514	12,675,152	3,621,080	(101,691)	372,591
\$ <u>954,702</u>	\$ <u>16,770,514</u>	\$ <u>12,794,570</u>	\$ <u>3,665,577</u>	\$ <u>(194,348)</u>	\$ <u>1,070,722</u>

# WHARTON INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
FOR THE TEN MONTHS ENDED JUNE 30, 2021

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ 90,000	\$ 77,738	\$ (12,262)
5800	State Program Revenues	43,471	35,741	(7,730)
5900	Federal Program Revenues	1,070,479	844,958	(225,521)
5020	Total Revenues	1,203,950	958,437	(245,513)
	<b>EXPENDITURES:</b>			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	1,203,950	961,592	242,358
	Total Support Services - Student (Pupil)	1,203,950	961,592	242,358
6030	Total Expenditures	1,203,950	961,592	242,358
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	(3,155)	(3,155)
	Other Financing Sources (Uses):			
7915	Transfers In	--	18,000	18,000
7080	Total Other Financing Sources and (Uses)	--	18,000	18,000
1200	Net Change in Fund Balance	--	14,845	14,845
0100	Fund Balance - Beginning	95,450	95,450	--
3000	Fund Balance - Ending	\$ 95,450	\$ 110,295	\$ 14,845

# WHARTON INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

FUND 511

BUDGETARY COMPARISON SCHEDULE

FOR THE TEN MONTHS ENDED JUNE 30, 2021

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 3,765,500	\$ 3,671,759	\$ (93,741)
5800	State Program Revenues	23,900	23,795	(105)
5020	Total Revenues	3,789,400	3,695,554	(93,846)
<b>EXPENDITURES:</b>				
Debt Service:				
0071	Principal on Long-Term Debt	1,580,000	1,580,000	--
0072	Interest on Long-Term Debt	988,000	987,228	772
0073	Bond Issuance Costs and Fees	3,000	3,000	--
	Total Debt Service	2,571,000	2,570,228	772
6030	Total Expenditures	2,571,000	2,570,228	772
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	1,218,400	1,125,326	(93,074)
1200	Net Change in Fund Balance	1,218,400	1,125,326	(93,074)
0100	Fund Balance - Beginning	524,745	524,745	--
3000	Fund Balance - Ending	\$ 1,743,145	\$ 1,650,071	\$ (93,074)



# *Harry Afadapa & Associates, PC*

*Certified Public Accountants*

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*(832) 960-7977~www.afadapa.com*

**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 N. Fulton  
Wharton, Texas 77488

Members of the Board of Trustees:

We have audited, 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, 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 ten months ended June 30, 2021, 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 October 15, 2021.

## **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) as a basis for designing 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 Wharton Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 financial statements. 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,

Harry Afadapa & Associates, PC

Houston, Texas  
October 15, 2021

# *Harry Afadapa & Associates, PC*

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## 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 N. 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 ten months ended June 30, 2021. 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 ten months ended June 30, 2021.

### **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,

Harry Afadapa & Associates, PC

Houston, Texas  
October 15, 2021



**WHARTON INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE TEN MONTHS ENDED JUNE 30, 2021**

**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	SSA IDEA-Part B Formula /Special Education Cluster
84.010	Title 1 Program
10.553/10.555	School Breakfast/National Lunch Programs

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 TEN MONTHS ENDED JUNE 30, 2021***

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<i>None.</i>		

**WHARTON INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TEN MONTHS ENDED JUNE 30, 2021

EXHIBIT K-1

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
SSA IDEA - Part B, Formula	84.027	21660001241904	260,210	634,659
Total CFDA Number 84.027			260,210	634,659
SSA IDEA - Part B, Preschool	84.173	21661001241904	9,040	21,688
Total Passed Through State Department of Education			269,250	656,347
Total U. S. Department of Education			269,250	656,347
Total Special Education (IDEA) Cluster			269,250	656,347
<b>OTHER PROGRAMS:</b>				
<u>U. S. Department of Education</u>				
Direct Programs:				
Federally Funded Special Revenue Funds	84.424a	18510701241904	--	--
Federally Funded Special Revenue Funds	84.938g	18510701241904	--	9,861
Federally Funded Special Revenue Funds	84.938a	18510701241904	--	52,540
Total Direct Programs			--	62,401
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010a	20610101241904	--	158,176
ESEA Title I Part A - Improving Basic Programs	84.010a	21610101241904	--	561,504
Total CFDA Number 84.010a			--	719,680
Career and Technical Education - Basic Grant	84.048	20420006241904	--	--
Career and Technical Education - Basic Grant	84.048	21420006241904	--	14,970
Total CFDA Number 84.048			--	14,970
ESEA, Title VI, Part B, Subpart 2-Rural and Low Income School Gra	84.358a	20696001241904	--	452
ESEA, Title VI, Part B, Subpart 2-Rural and Low Income School Gra	84.358a	21696001241904	--	36,888
Total CFDA Number 84.358a			--	37,340
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367a	20694501241904	--	11,520
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367a	21694501241904	--	66,509
Total CFDA Number 84.367a			--	78,029
Title I School Improvement Program (SIP) Academy Grant	84.377a	20680101241904	--	--
Title I School Improvement Program (SIP) Academy Grant	84.377a	21680101241904	--	10,500
Title I School Improvement Program (SIP) Academy Grant	84.377a	21680101241904	--	222,958
Total CFDA Number 84.377a			--	233,458
CARES Act Coronavirus Relief Fund (CRF) - ESSER	84.425d	20521001241904	--	207,657
Total Passed Through State Department of Education			269,250	1,291,134
Total U. S. Department of Education			269,250	1,353,535
<u>U.S. Department of Agriculture</u>				
Pass Through Texas Department of Agriculture:				
Pass Through State Department of Education:				
Child Nutrition Cluster				
School Breakfast Program	10.553	714020	--	47,292
School Breakfast Program	10.553	714021	--	235,651
Total CFDA Number 10.553				282,943
National School Lunch Program	10.555	713020	--	78,752
National School Lunch Program	10.555	713021	--	599,897
Total CFDA Number 10.555				678,649
Total U. S. Department of Agriculture			--	961,592
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 269,250	\$ 2,971,474
<b>Reconciliation of Expenditures</b>				
Add:				
Non-Federal expenditures				1,249,544
TOTAL EXPENDITURES PER EXHIBIT H-2				4,221,018

The accompanying notes are an integral part of this schedule.

## **WHARTON INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE TEN MONTHS ENDED JUNE 30, 2021**

#### 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 JUNE 30, 2021*

<u>Data Control Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered <b>to not have made</b> timely payments.)	Yes
	Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
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 post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ --

