

**WINDTHORST INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**AUGUST 31, 2019**

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WINDTHORST INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2019

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CERTIFICATE OF BOARD

Windthorst Independent School District  
Name of School District

Archer  
County

005904  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2019 at a meeting of the Board of Trustees of such school district on the 9th of December, 2019.

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

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

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

# FREEMON, SHAPARD & STORY

*Certified Public Accountants*

## Independent Auditors' Report

To the Board of Trustees  
Windthorst Independent School District  
Windthorst, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Windthorst Independent School District as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the Windthorst Independent School District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the Windthorst Independent School District as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-13, budgetary comparison information on page 50, and the schedule of the District's proportionate share of the net pension liability, the schedule of District pension plan contributions, the schedule of the District's proportionate share of the net OPEB liability, schedule of the District's OPEB plan contributions and the notes to the required supplementary information on pages 51-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Windthorst Independent School District's basic financial statements. The combining fund financial statements and the Texas Education Agency required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is in Exhibits identified in the Table of Contents as H-1 through H-4 and J-1 through J-3.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019 on our consideration of the Windthorst 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 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 Windthorst Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Windthorst Independent School District's internal control over financial reporting and compliance.

Freemon, Shapard & Story

A handwritten signature in cursive script that reads "Freeman, Shapard & Story".

Windthorst, Texas

October 25, 2019

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT DISCUSSION AND ANALYSIS  
 AUGUST 31, 2019

In this section of the Annual Financial and Compliance Report, we, the managers of Windthorst Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2019. Please read it in conjunction with the District's Basic Financial Statements which follow this section.

**FINANCIAL HIGHLIGHTS**

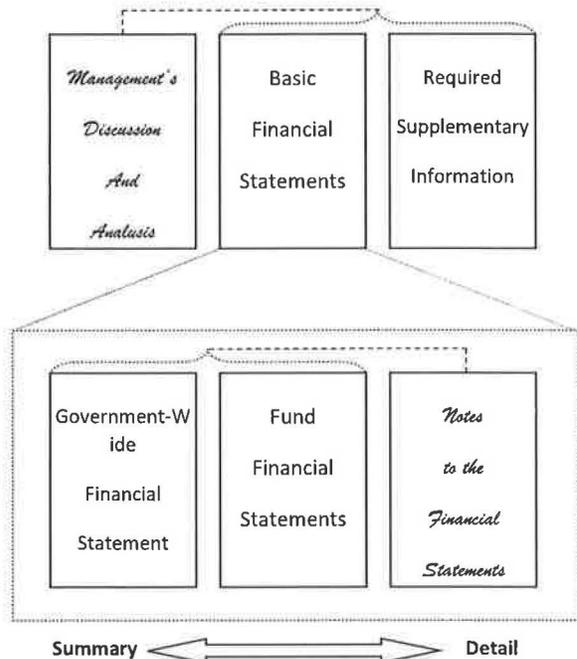
- The District's net position decreased by \$221,328 as a result of this year's operations as per Exhibit B-1. Of total net position of \$7,600,700 at August 31, 2019, \$647,923 (Unrestricted Net Position) may be used to meet the District's ongoing obligations. The reduction from prior period Net Position of \$7,822,028 is primarily due to reflecting the District's proportionate share of the Net Pension Liability of TRS and the Net OPEB liability of TRS-Care. Additionally \$1,020,000 is currently restricted for capital projects.
- During the year, the District had expenses that were \$221,328 more than the \$5,151,547 generated in tax and other revenues for governmental programs as reflected on Exhibit B-1. This compares to last year when expenses were less than revenues by \$220,705. Total cost of all of the District's programs was \$5,372,875 with no new programs added this year and no old programs deleted this year.
- The General Fund ended the year with a fund balance of \$3,981,289 as reflected on Exhibit C-1. Of this amount \$700,000 has been designated for future construction and \$320,000 for equipment purchases. The resources available for appropriation were \$386,247 more than budgeted for the General fund as reflected on Exhibit G-1.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 14 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

**Figure A-1: Required Components of the District's Annual**



WINDTHORST INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

The notes to the financial statements (starting on page 22) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds as reflected on Exhibits H-1 and H-2 contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Reports on Compliance, Internal Controls and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

**Figure A-2: Major Features of the District's Government-wide and Fund Financial Statements**

<b>Type of Statement</b>	<b>Government-wide</b>	<b>Government Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire District's government (except fiduciary funds)	The activities of the district that are not propriety or fiduciary	Instances in which the district is the trustee or agent for someone else's resources
<i>Required Financial Statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities</li> </ul>
<i>Accounting Basis and Measurement Focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Modified accrual accounting and current financial resources focus
<i>Type of Asset/Liability Information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of Inflow/Outflow Information</i>	All revenue and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year end, expenditures when goods or services have been received and payment is due during the year or soon thereafter	Agency funds do not report revenue and expenditures

**Reporting the District as a Whole**

***The Statement of Net Position and the Statement of Activities***

The analysis of the District's overall financial condition and operations begins on page 14. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

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

In the Statement of Net Position and the Statement of Activities, the District discloses the following kind of activity:

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

### **Reporting the District's Most Significant Funds**

#### ***Fund Financial Statements***

The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's has one kind of fund—governmental—which uses the following accounting approaches.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

### **The District as Trustee**

#### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 20 and 21. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the Net Position (Table I) and changes in Net Position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$7,822,028 to \$7,600,700. Unrestricted Net Position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$647,923 at August 31, 2019. This decrease in governmental Net Position was the result of five factors. First, the District's revenues exceeded expenditures by \$55,408 (page 18). Second, the District paid off bonds in the amount of \$105,000, acquired capital assets net of dispositions in the amount of \$186,661 and recorded adjustments to compensated retirement absences of \$8,388. Third, the District recorded depreciation and other adjustments in the amounts of \$458,071 and \$6,970, respectively. Fourth, the District recorded an adjustment of \$90,124 to report the effect of GASB 68 to assume the District's proportionate share of the Net Pension Liability of the Teacher's Retirement System of Texas. Fifth, the District recorded adjustments in the amount of \$35,560 in which the District must assume their proportionate share of the Net OPEB liability of TRS and current year adjustments relating thereto.

**Table I**  
**Windthorst Independent School District**  
**NET POSITION**

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 4,328,765	\$ 4,246,492
Capital assets	<u>7,506,457</u>	<u>7,777,867</u>
Total assets	<u>11,835,222</u>	<u>12,024,359</u>
 Deferred Outflows of Resources	 <u>852,216</u>	 <u>275,498</u>
 Long-term liabilities	 4,317,052	 3,665,975
Other liabilities	<u>180,699</u>	<u>159,406</u>
Total liabilities	<u>4,497,751</u>	<u>3,825,381</u>
 Deferred Inflows of Resources	 <u>588,987</u>	 <u>652,448</u>
 Net Position:		
Invested in capital assets, net of related debt	5,790,502	5,955,514
Restricted	1,162,275	1,087,791
Unrestricted	<u>647,923</u>	<u>778,723</u>
Total Net Position	<u>\$ 7,600,700</u>	<u>\$ 7,822,028</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

**Table II**  
**Windthorst Independent School District**  
**CHANGES IN NET POSITION**

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 141,299	\$ 170,271
Operating Grants and Contributions	714,560	364,261
Negative On-behalf Accruals TRS Care	-	( 694,036)
General Revenues:		
Maintenance and Operations Taxes	1,043,680	1,028,822
Debt Service Taxes	120,153	110,103
State Aid Formula Grants	3,036,443	3,176,735
Investment Earnings	26,717	10,356
Miscellaneous	<u>68,695</u>	<u>141,257</u>
Total Revenue	<u>5,151,547</u>	<u>4,307,769</u>
Expenses:		
Instruction, curriculum and media services	2,993,175	2,034,963
Instructional Resources and Media Services	42,958	36,241
Curriculum and Staff Development	7,951	8,340
School Leadership	273,736	168,518
Guidance, social work, health, transportation	57,977	32,835
Health Services	63,443	38,346
Student (Pupil) Transportation	181,504	161,958
Food Services	216,206	171,312
Extracurricular activities	482,919	411,890
General administration	338,715	241,786
Facilities Maintenance and Operations	559,698	620,720
Security and Monitoring Services	7,977	17,442
Data Processing Services	3,500	-
Debt Service	67,508	70,265
Payment to Fiscal Agent/Member District of SSA	42,499	43,902
Other Intergovernmental Charges	<u>33,109</u>	<u>28,546</u>
Total Expenses	<u>5,372,875</u>	<u>4,087,064</u>
Increase in Net Position	( 221,328)	220,705
Net Position at Beginning	7,822,028	9,788,730
Prior Period Adjustment	-	<u>( 2,187,407)</u>
Net Position at Ending	<u>\$ 7,600,700</u>	<u>\$ 7,822,028</u>

The District's total revenues increased (19.58%) \$843,778, an increase from \$4,307,769 last year to \$5,151,547 in the current year. The total cost of all programs and services increased 31.46% (\$1,285,811) from last year, an increase from \$4,087,064 last year to \$5,372,875 in the current year. However, as shown in the Statement of Activities on pages 15, the amount that our taxpayers ultimately financed for these activities through District taxes was \$1,163,833 because some of the costs were paid by those who directly benefited from the programs (\$141,299) or by other governments and organizations that subsidized certain programs with grants and contributions (\$714,560), and by State formula funding (\$3,036,443).

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

**Financial Analysis of the Government's Funds**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As the District completed the year, its governmental funds (as presented in the balance sheet on pages 16) reported a combined fund balance of \$4,123,564 which is 1.36% (\$55,408) more than last year's total of \$4,068,156. Included in this year's total change in fund balance is an increase of \$50,924 in the District's General Fund. The primary reasons for the General Fund's increase is evident from the governmental activities analysis as highlighted on page 18.

Approximately 23.24% of the District's total General Fund financial resources are derived from property taxes. State funding is based upon a combination of weighted average daily student attendance and property values. The State funding formula has been modified continually through the years and state funding represents approximately 72.6% of the District's General Fund revenues. The District property tax rates remained at \$1.17 for M&O and increased from \$.12 in the prior year to \$.13 in the current year for Debt Service. The total assessed valuation increased from \$88,281,291 to \$89,711,077 in the current year, resulting in a levy of \$1,166,244 increased from \$1,138,828 in the prior year.

Over 55% of General Fund expenditures were dedicated for instructional effort. When combined with student support services such as counseling, nursing, extracurricular and transportation, 76.82% of General Fund expenditures were dedicated to direct student services.

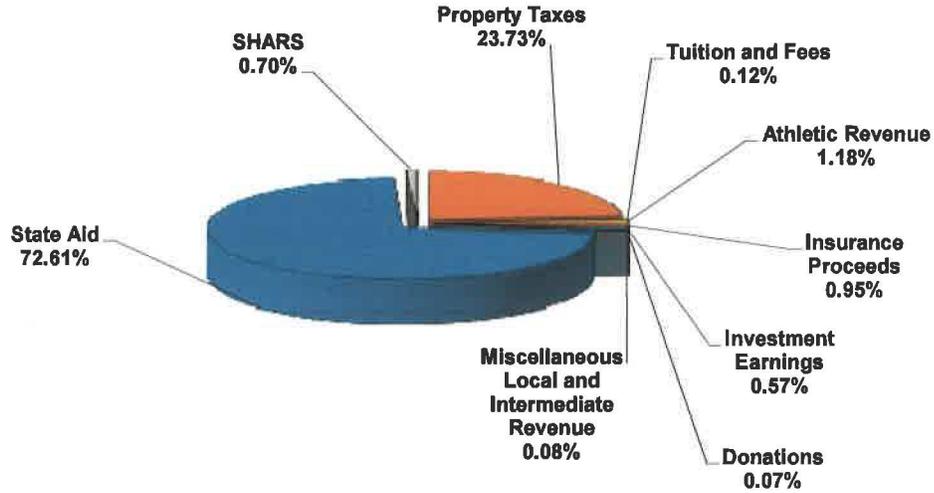
Other changes in fund balances should also be noted. The District purchased \$186,661 of capital assets and reduced debt by \$105,000. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and as discussed in Note IV-F to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2018). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

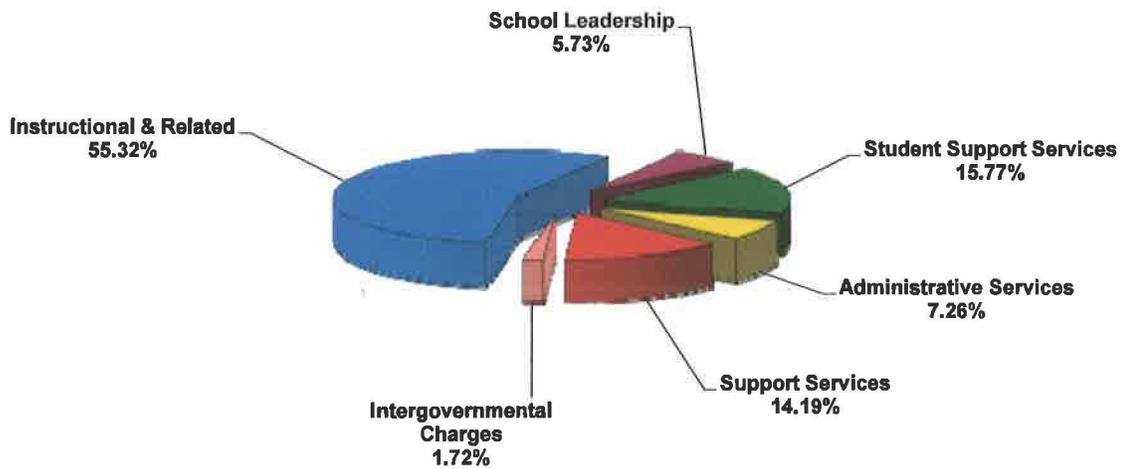
The District's General Fund balance of \$3,981,289 reported on pages 16 differs from the General Fund's budgetary fund balance of \$3,595,042 reported in the budgetary comparison schedule on page 50. This is principally due to cost savings realized by closely monitoring expenses for the year.

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

**General Fund- Operating Revenue 2019**



**General Fund-Operating Expenditure 2019**



WINDTHORST INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019 the District had \$13,439,469 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The District disposed of one bus in the current year for salvage.

This year's major additions included:

2020 Blue Bird Bus	\$ 87,472
Greenhouse	65,958
Junior High Vestibule Access Control and Intercom	<u>33,231</u>
Totaling	<u>\$ 186,661</u>

Windthorst Independent School District  
Capital Assets, Net of Depreciation

	<u>Governmental</u>	
	<u>Activities</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 447,313	\$ 447,313
Buildings	6,738,564	7,031,371
Furniture and Equipment	<u>320,580</u>	<u>299,183</u>
Total Capital Assets, net of Depreciation	<u>\$ 7,506,457</u>	<u>\$ 7,777,867</u>

The District's has committed funds for capital projects in the future for additional expenditures of \$700,000 for replacement of field turf and school safety construction. We also have designated \$320,000 for vehicles, buses and technology equipment. We have no plans to issue additional debt to finance these projects. More detailed information about the District's capital assets is presented in Note IV-F to the financial statements.

Debt

At year-end, the District had \$1,700,000 in bonds outstanding versus \$1,805,000 last year—a decrease of 5.8%. This decrease consisted of principal payment of \$105,000. More detailed information about the District's long-term liabilities is presented in Notes IV-G and IV-H to the financial statements.

Windthorst Independent School District  
General Obligation Bonds

	<u>Governmental</u>	
	<u>Activities</u>	
	<u>2019</u>	<u>2018</u>
General Obligation Bonds	\$ <u>1,700,000</u>	\$ <u>1,805,000</u>
Total Long Term Debt	<u>\$ 1,700,000</u>	<u>\$ 1,805,000</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
AUGUST 31, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected and appointed officials considered many factors when setting the fiscal-year 2019-2020 budget and tax rates. One of those factors is the economy and student attendance. The District's refined average daily attendance decreased from 400 students in 2017-18 to 378 students in 2018-19 school year.

These indicators were taken into account when adopting the General Fund budget for 2019-2020. Amounts available for appropriation in the General Fund budget are \$4,991,058 a decrease from the actual 2019 revenues of \$4,466,122. The District will use its revenues to finance programs we currently offer. Budgeted expenditures and transfers out are expected to increase to \$4,991,058 from \$4,415,198 actual expenditures in 2019. The District has added no major new programs or initiatives to the 2019-2020 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to remain the same at the close of 2019-2020.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Windthorst Independent School District, P. O. Box 190, Windthorst, Texas 76389.

## **BASIC FINANCIAL STATEMENTS**

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 4,160,863
1220 Property Taxes - Delinquent	27,248
1230 Allowance for Uncollectible Taxes	(2,747)
1240 Due from Other Governments	77,163
1410 Prepayments	66,238
Capital Assets:	
1510 Land	447,313
1520 Buildings, Net	6,738,564
1530 Furniture and Equipment, Net	320,580
1000 Total Assets	11,835,222
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Related to TRS Pension	576,821
1706 Deferred Related to TRS OPEB	275,395
1700 Total Deferred Outflows of Resources	852,216
<b>LIABILITIES</b>	
2110 Accounts Payable	29,245
2160 Accrued Wages Payable	144,764
2200 Accrued Expenses	3,973
2300 Unearned Revenue	2,717
Noncurrent Liabilities:	
2501 Due Within One Year	110,000
2502 Due in More Than One Year	1,653,048
2540 Net Pension Liability (District's Share)	990,119
2545 Net OPEB Liability (District's Share)	1,563,885
2000 Total Liabilities	4,497,751
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2602 Deferred Gain on Defeasance Bonds	6,507
2605 Deferred Inflow Related to TRS Pension	87,942
2606 Deferred Inflow Related to TRS OPEB	494,538
2600 Total Deferred Inflows of Resources	588,987
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	5,790,502
3850 Restricted for Debt Service	135,615
3860 Restricted for Capital Projects	1,020,000
3870 Restricted for Campus Activities	6,660
3900 Unrestricted	647,923
3000 Total Net Position	\$ 7,600,700

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 2,993,175	\$ 20,627	\$ 427,318	\$ (2,545,230)
12 Instructional Resources and Media Services	42,958	-	2,609	(40,349)
13 Curriculum and Instructional Staff Development	7,949	-	-	(7,949)
23 School Leadership	273,736	-	24,193	(249,543)
31 Guidance, Counseling and Evaluation Services	57,977	-	5,014	(52,963)
33 Health Services	63,443	-	6,438	(57,005)
34 Student (Pupil) Transportation	181,504	-	9,503	(172,001)
35 Food Services	216,206	67,901	114,727	(33,578)
36 Extracurricular Activities	482,919	52,771	17,982	(412,166)
41 General Administration	338,715	-	22,705	(316,010)
51 Facilities Maintenance and Operations	559,698	-	21,148	(538,550)
52 Security and Monitoring Services	7,977	-	-	(7,977)
53 Data Processing Services	3,500	-	-	(3,500)
72 Debt Service - Interest on Long-Term Debt	67,108	-	62,923	(4,185)
73 Debt Service - Bond Issuance Cost and Fees	400	-	-	(400)
93 Payments Related to Shared Services Arrangements	42,499	-	-	(42,499)
99 Other Intergovernmental Charges	33,109	-	-	(33,109)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 5,372,873</b>	<b>\$ 141,299</b>	<b>\$ 714,560</b>	<b>(4,517,015)</b>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	1,043,680
DT	Property Taxes, Levied for Debt Service	120,153
SF	State Aid - Formula Grants	3,036,443
IE	Investment Earnings	26,717
MI	Miscellaneous Local and Intermediate Revenue	68,695
TR	<b>Total General Revenues</b>	<b>4,295,687</b>
CN	Change in Net Position	(221,328)
NB	Net Position - Beginning	7,822,028
NE	Net Position--Ending	<b>\$ 7,600,700</b>

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 4,066,110	\$ 94,753	\$ 4,160,863
1220 Property Taxes - Delinquent	24,613	2,635	27,248
1230 Allowance for Uncollectible Taxes	(2,491)	(256)	(2,747)
1240 Due from Other Governments	17,317	59,846	77,163
1410 Prepayments	64,632	1,606	66,238
1000 Total Assets	<u>\$ 4,170,181</u>	<u>\$ 158,584</u>	<u>\$ 4,328,765</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 23,916	\$ 5,329	\$ 29,245
2160 Accrued Wages Payable	139,609	5,155	144,764
2200 Accrued Expenditures	3,245	728	3,973
2300 Unearned Revenue	-	2,717	2,717
2000 Total Liabilities	<u>166,770</u>	<u>13,929</u>	<u>180,699</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	22,122	2,380	24,502
2600 Total Deferred Inflows of Resources	<u>22,122</u>	<u>2,380</u>	<u>24,502</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	135,615	135,615
Committed Fund Balance:			
3510 Construction	700,000	-	700,000
3530 Capital Expenditures for Equipment	320,000	-	320,000
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	-	6,660	6,660
3600 Unassigned Fund Balance	2,961,289	-	2,961,289
3000 Total Fund Balances	<u>3,981,289</u>	<u>142,275</u>	<u>4,123,564</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,170,181</u>	<u>\$ 158,584</u>	<u>\$ 4,328,765</u>

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 AUGUST 31, 2019

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	4,123,564
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$13,309,343 and the accumulated depreciation was \$5,531,476. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt of \$1,884,341 in the governmental activities is to increase (decrease) net position.		5,893,526
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays additions and deletions (\$186,661), debt principal payments (\$105,000) and adjustments to vested retirement (\$8,388) is to increase (decrease) net position.		300,049
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$576,821, a deferred resource inflow in the amount of \$87,942, and a net pension liability in the amount of \$990,119. This resulted in a decrease in Net Position.		(501,240)
Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$275,395, a deferred resource inflow in the amount of \$494,538, and a net OPEB liability in the amount of \$1,563,885. This resulted in a decrease in net position.		(1,783,028)
The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(458,071)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		25,900
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>7,600,700</b>

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 1,192,089	\$ 202,883	\$ 1,394,972
5800 State Program Revenues	3,242,679	134,216	3,376,895
5900 Federal Program Revenues	31,354	187,145	218,499
5020 Total Revenues	<u>4,466,122</u>	<u>524,244</u>	<u>4,990,366</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	2,378,180	176,732	2,554,912
0012 Instructional Resources and Media Services	41,214	-	41,214
0013 Curriculum and Instructional Staff Development	7,951	-	7,951
0023 School Leadership	251,613	-	251,613
0031 Guidance, Counseling and Evaluation Services	53,539	-	53,539
0033 Health Services	59,436	-	59,436
0034 Student (Pupil) Transportation	217,249	-	217,249
0035 Food Services	7,698	196,653	204,351
0036 Extracurricular Activities	353,937	-	353,937
0041 General Administration	318,748	-	318,748
0051 Facilities Maintenance and Operations	611,017	-	611,017
0052 Security and Monitoring Services	7,977	-	7,977
0053 Data Processing Services	3,500	-	3,500
<b>Debt Service:</b>			
0071 Principal on Long-Term Debt	-	105,000	105,000
0072 Interest on Long-Term Debt	-	68,506	68,506
0073 Bond Issuance Cost and Fees	-	400	400
<b>Intergovernmental:</b>			
0093 Payments to Fiscal Agent/Member Districts of SSA	42,499	-	42,499
0099 Other Intergovernmental Charges	33,109	-	33,109
6030 Total Expenditures	<u>4,387,667</u>	<u>547,291</u>	<u>4,934,958</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>78,455</u>	<u>(23,047)</u>	<u>55,408</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915 Transfers In	-	27,531	27,531
8911 Transfers Out (Use)	(27,531)	-	(27,531)
7080 Total Other Financing Sources (Uses)	<u>(27,531)</u>	<u>27,531</u>	<u>-</u>
1200 Net Change in Fund Balances	50,924	4,484	55,408
0100 Fund Balance - September 1 (Beginning)	<u>3,930,365</u>	<u>137,791</u>	<u>4,068,156</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 3,981,289</u>	<u>\$ 142,275</u>	<u>\$ 4,123,564</u>

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	55,408
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of adding and removing the 2019 capital outlays and deletions (\$186,661), debt principal payments (\$105,000) and adjusting the year end balance of compensated absences (\$8,388) is to increase (decrease) net position.		300,049
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(458,071)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		6,970
GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in the ending net position to increase in the amount of \$62,067. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in net position totaling \$60,607. Finally, the District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$91,584. The net result is a decrease in the change in net position.		(90,124)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$21,573. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$21,607. Finally the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by (\$35,526). The net result is an increase in the change in net position.		(35,560)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(221,328)</b>

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

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

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 133,540
Restricted Assets	221,453	-
Total Assets	221,453	\$ 133,540
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 133,540
Total Liabilities	-	\$ 133,540
<b>NET POSITION</b>		
Restricted for Scholarships	221,453	
Total Net Position	\$ 221,453	

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2019

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 34,927
Total Additions	<u>34,927</u>
DEDUCTIONS:	
Other Operating Costs	9,000
Total Deductions	<u>9,000</u>
Change in Net Position	25,927
Total Net Position - September 1 (Beginning)	<u>195,526</u>
Total Net Position - August 31 (Ending)	<u>\$ 221,453</u>

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Windthorst Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

*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.

*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.

Windthorst Independent School District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District's investments are accounted for using the cost amortization method.

**A. REPORTING ENTITY**

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Windthorst Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The District has no business-type activities.

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019

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, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

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

**D. FUND ACCOUNTING**

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food services and debt services.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019

Fiduciary Funds:

1. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds are scholarship funds.
2. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budget program.

**E. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of twelve months or less when purchased.
2. The District generally does not report inventories of supplies such as consumable maintenance, instructional, office, athletic, and transportation items due to the value of these items on hand at any given date being deemed immaterial. The District had no material inventories at August 31, 2019.
3. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time of bond issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the district. At August 31, 2019, the District had no material liability for accrued sick leave or vacation leave. The District has adopted a vested retirement policy which provides reimbursement for state leave for employees upon retirement with at least 10 years of service with the District. With advance written notice according to the District's policy, eligible employees may be reimbursed for each unused day of state leave, to a maximum of 50 days, at a rate established by the Board. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee. The liability for such vested retirement benefits has been recorded in the government wide financial statements.

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 AUGUST 31, 2019

5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-30
Building Improvements	20-45
Vehicles	5-10
Equipment	5-14

6. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.
7. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a State-wide data base for policy development and funding plans.
8. The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage
9. Governmental Fund Balances

According to the District's fund balance policy, fund balance is comprised of the following components:

Nonspendable fund balance – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact, such as inventory and prepaid items. The District has no non-spendable funds.

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 AUGUST 31, 2019

Restricted fund balance – Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulation of other governments. At August 31, 2019, the District had restricted fund balances as follows:

Retirement for Long Term Debt	\$ <u>135,615</u>
Total Restricted Fund Balance	\$ <u>135,615</u>

Committed fund balance – Amounts that can be used only for specific purposes determined by a formal action by Board of Trustees policy or resolution. This includes the budget reserves account. At August 31, 2019, the District had committed fund balances as follows:

For construction and building upgrades	\$ 700,000
For vehicle, bus, and equipment	<u>320,000</u>
Total Fund Balance Commitments	<u>\$ 1,020,000</u>

Assigned fund balance – Amounts that are designated by the District for a specific purpose but are not spendable until a budget ordinance is passed by the Board of Trustees. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. At August 31, 2019, the District’s assigned fund balance of \$6,660 represents Campus activity funds based upon resolution of the board.

Unassigned fund balance – All amounts not included in other spendable classifications. The District’s financial goal is to have a sufficient balance in the operating fund with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. Additionally, the Board intends to maintain a four month operating reserve to allow for future contingencies or funding reductions.

10. Government-Wide Net Position

Net investment in capital assets- the components of net position that represents capital assets less capital debt plus unspent bond proceeds is \$5,790,502.

Restricted for debt service- the component of net position that reports the difference between assets and liabilities of the Debt Service Funds net of accrued interest at August 31, 2019 that consists of assets with constraints placed on their use by the bond covenants is \$135,615.

Restricted for Capital Projects-the component of net position that represents commitments by Board action for capital expenditures that will be fulfilled within a reasonable period of time at August 31, 2019 is \$1,020,000.

Restricted for Campus Activities- the component of net position that reports the difference between assets and liabilities of the Campus Fund at August 31, 2019 that consists of assets with constraints place on their use by external parties is \$6,660.

Unrestricted- the difference between the assets and liabilities that are not reported in net position invested in capital assets, net position restricted for debt service, net position restricted for Federal and State Programs, net position restricted for Capital Projects and net position restricted for Campus Activities is \$647,923.

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11. In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District's deferred outflows of resources consist of amounts paid to TRS pension retirement system and OPEB (TRS-Care) plan which have not yet expensed by the measurement date of August 31, 2018.
  
13. In addition to liabilities, the statement 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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. The District also reports as deferred inflows of resources amounts paid to TRS pension retirement system and OPEB (TRS-Care) plan which have not yet realized by measurement date of August 31, 2018 as well as the deferred gain on defeasance of bonds.
  
14. Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessor is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that this statement will have on its financial statements for the year ended August 31, 2021.

In January 2017, the GASB issued GASB Statement No. 84, effective for fiscal years beginning after December 15, 2018. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported and to clarify whether and how a business-type activity should report their fiduciary activities. Management is evaluating the effects that this statement will have on its financial statements for the year ended August 31, 2020.

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**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> at the Beginning of the year	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	\$ 447,313	\$ -	\$ 447,313	
Buildings	11,118,832	4,087,461	7,031,371	
Furniture & Equipment	<u>1,743,198</u>	<u>1,444,015</u>	<u>299,183</u>	
Change in Net Position	<u>\$13,309,343</u>	<u>\$ 5,531,476</u>	<u>\$ 7,777,867</u>	\$ 7,777,867
<u>Long-term Liabilities</u> at the Beginning of the year			<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Bonds Payable			(\$1,805,000)	
Deferred Gain/Loss on Defeasance			( 7,077)	
Unamortized Premium/(Discount) on Bonds			( 10,276)	
Vested Retirement			<u>( 61,988)</u>	
Change in Net Position				<u>(1,884,341)</u>
Net Adjustment to Net Position				<u>\$ 5,893,526</u>

Another element of the reconciliation on Exhibit C-2 relates to deferred inflows and outflows of resources relating to the recording of the District's proportionate share of TRS pension Liability (GASB 68) and TRS Care OPEB liability (GASB 75). These deferred inflows and outflows are not due and payable in the current period and, therefore, are not reported in the government fund statements. The adjustment to reflect these liabilities in the government-wide financial statements result in net adjustment to Net Position of \$501,240 for net pension liability required to be recorded by GASB 68 and \$1,783,028 for the net OPEB liability required to be recorded by GASB 75.

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**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Buildings & Improvements	\$ 99,189	\$ 99,189	\$ 99,189
Furniture & Equipment	<u>87,472</u>	<u>87,472</u>	<u>87,472</u>
Total Capital Outlay	<u>\$ 186,661</u>	<u>\$ 186,661</u>	<u>\$ 186,661</u>
<u>Debt Principal Payments</u>			
Bond Principal	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>
Total Debt Activity	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>
<u>Vested Retirement</u>	<u>\$ 8,388</u>	<u>\$ 8,388</u>	<u>\$ 8,388</u>
Total Adjustment to Net Position		<u>\$ 300,049</u>	<u>\$ 300,049</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 11,023	(\$ 11,023)	\$ -
Uncollected taxes (assumed collectible) from Current Year Levy	14,991	14,991	14,991
Uncollected Taxes (assumed collectible) from Prior Year Levy	9,511	1,604	9,511
Deferred Gain/Loss Defeasance	570	570	570
Bond Premium Amortization	<u>828</u>	<u>828</u>	<u>828</u>
Total		<u>\$ 6,970</u>	<u>\$ 25,900</u>

Another element of the reconciliation on Exhibit C-4 relates to the District's recognition of its proportionate share of the net pension liability required by to be reported by GASB 68 and net OPEB liability required to be reported by GASB 75. These deferred inflows and outflows of resources related to the net pension and OPEB liability do not require the use of current financial resources and, therefore, are not reported as expenditures in the government fund statements.

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
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**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in RSI and the other two reports are in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget 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.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The District had no expenditures in excess of appropriations.

**C. DEFICIT FUND EQUITY**

The District had no fund equity deficit at year-end.

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

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 its 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") or National Credit Union Administration (NCUA) insurance.

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Cash Deposits

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$4,160,863 and the bank balance was \$4,235,932. The District's cash deposits at August 31, 2019 and during the year then ended were entirely covered by FDIC or NCUA insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Pilgrim Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$5,116,351.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$5,221,226 and occurred during the month of March 2019.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$358,278.

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District does not make investments that have foreign currency risk.

As of August 31, 2019, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 year</u>	<u>Credit Rating</u>
Cash (FDIC Insured)	\$ 2,140,154	.28%-.68%	\$ 2,140,154	N/A
Certificate of Deposits (FDIC Insured)	1,801,298	1.05%	1,801,298	N/A
Cash (NCUA Insured)	219,361	.6%-2.1%	219,361	N/A
Investment Pools:				
Lone Star	<u>50</u>		<u>50</u>	AAA
Total Cash and Cash Equivalents	<u>\$ 4,160,863</u>		<u>\$ 4,160,863</u>	

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
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**Investments**

District Policies and Legal and Contractual Provisions Governing Investments

**Compliance with the Public Funds Investment Act**

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Windthorst Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for Windthorst Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in: obligations of the United States or its agencies and instrumentalities; direct obligations of the state of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the state of Texas, the United States, or their respective agencies and instrumentalities; obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and bonds issued, assumed, or guaranteed by the state of Israel as per Texas Statute Government Code 2256.009. Additionally, the District authorizes investments in: certificates of deposit; fully collateralized repurchase agreements; certain securities lending programs; certain banker's acceptances; certain commercial paper; certain no-load market mutual funds; certain no-load mutual funds; guaranteed investment contracts; and public funds investment pools. As of August 31, 2019, the District's investments in Lone Star Investment Pool were rated AAA from Standard and Poor's as required by the Public Funds Investment Act.

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
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Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District shall diversify in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District shall use final and weighted-average-maturity limits and diversification. The District shall monitor interest rate risk using weighted average maturity and specific identification.

Foreign Currency Risk for Investments The District does not make investments that have foreign currency risk.

Windthorst Independent School District has no investments measured at the Net Asset Value (NAV) per Share (or its equivalent).

**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. 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.

**D. INTERFUND BALANCES AND TRANSFERS**

The District had no interfund balances at August 31, 2019.

Interfund transfers are defined as "flow of assets without equivalent flows of assets in return and without requirement of repayment." Interfund transfers for the year ended August 31, 2019, were as follows:

Transfers from General Fund to:	<u>Total</u>
Nonmajor Governmental Funds	
National Lunch Program	<u>\$ 27,531</u>
Total Transfers from General Fund	<u>\$ 27,531</u>

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**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2019, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>			
General Fund	\$ 24,613	\$ 17,317	\$ 41,930
Nonmajor Governmental Funds	<u>2,635</u>	<u>59,846</u>	<u>62,481</u>
Total - Governmental Activities	<u>\$ 27,248</u>	<u>\$ 77,163</u>	<u>\$ 104,411</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 2,747</u>	<u>\$ -</u>	<u>\$ 2,747</u>

Payables at August 31, 2019, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Accrued Expenses</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>				
General Fund	\$ 23,916	\$ 139,609	\$ 3,245	\$ 166,770
Nonmajor Gov. Funds	<u>5,329</u>	<u>5,155</u>	<u>728</u>	<u>11,212</u>
Total - Governmental Activities	<u>\$ 29,245</u>	<u>\$ 144,764</u>	<u>\$ 3,973</u>	<u>\$ 177,982</u>

**F. CAPITAL ASSET ACTIVITY**

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

	Primary Government			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Land	\$ 447,313	\$ -	(\$ -)	\$ 447,313
Buildings and Improvements	11,118,832	99,189	( -)	11,218,021
Furniture and Equipment	<u>1,743,198</u>	<u>87,472</u>	<u>( 56,535)</u>	<u>1,774,135</u>
Totals at Historic Cost	<u>13,309,343</u>	<u>186,661</u>	<u>( 56,535)</u>	<u>13,439,469</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	( 4,087,461)	( 391,996)	-	( 4,479,457)
Furniture and Equipment	<u>( 1,444,015)</u>	<u>( 66,075)</u>	<u>56,535</u>	<u>( 1,453,555)</u>
Total Accumulated Depreciation	<u>( 5,531,476)</u>	<u>( 458,071)</u>	<u>56,535</u>	<u>( 5,933,012)</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,777,867</u>	<u>(\$ 271,410)</u>	<u>(\$ -)</u>	<u>\$ 7,506,457</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 263,300
School Leadership	1,187
Student (Pupil) Transportation	45,374
Co-curricular/Extracurricular Activities	113,492
Plant Maintenance and Operations	<u>34,718</u>

Total Depreciation Expense \$ 458,071

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**G. BONDS AND LONG-TERM NOTES PAYABLE**

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2019 is as follows:

<u>DESCRIPTION</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding 9/1/18</u>	<u>Issued/ Additions</u>	<u>Retired</u>	<u>Outstanding 8/31/19</u>
Unlimited Tax Refunding Bonds Series 2011	1.0%- 4.0%	\$2,205,000	<u>\$ 68,506</u>	<u>\$ 1,805,000</u>	\$ -	\$ 105,000	<u>\$ 1,700,000</u>
Total Bonds			<u>\$ 68,506</u>	<u>\$ 1,805,000</u>	\$ -	\$ 105,000	<u>\$ 1,700,000</u>
Plus:							
Unamortized Premium Bonds							<u>9,448</u>
Vested Retirement							<u>53,600</u>
Total Long Term Debt A-1							<u>\$ 1,763,048</u>
Net Pension Liability				<u>\$ 541,255</u>	<u>\$ 509,462</u>	<u>\$ 60,598</u>	<u>\$ 990,119</u>
Net OPEB Liability				<u>\$ 1,247,456</u>	<u>\$ 338,036</u>	<u>\$ 21,607</u>	<u>\$ 1,563,885</u>

The current portion of long-term liabilities is as follows:

Bonds Payable \$ 110,000

The Unlimited Tax Refunding Bonds, Series 2011 are comprised of \$2,205,000 of current interest bonds and \$4,999 premium capital appreciation bonds. A premium of \$236,150 was realized on the premium capital appreciation bond issuance. The premium capital appreciation bonds were paid off during the year ended August 31, 2016.

Defeased Debt

In January 2011, the District issued general obligation bonds of \$2,209,999 (par value) with interest rates ranging from 1.0% to 4.0% which included \$2,210,000 to advance refund a portion of the general obligation bonds from the Unlimited Tax School Building Bond, Series 2002 with interest rates ranging from 3.90% to 5.75%. A portion of the net proceeds from the issuance were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments (consisting of interest payments only) until the bonds are called in 2032. The advance refunding met the requirements of an in-substance defeasance and the bonds were removed from the District's books. As a result of the advance refunding, the District reduced its total debt service requirements by \$170,282, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$79,689.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2019.

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**H. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES**

Debt service requirements for bonds are as follows:

<u>Year Ended</u> <u>August 31</u>	<u>General Obligations</u>		<u>Total</u> <u>Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2020	110,000	65,750	175,750
2021	115,000	62,450	177,450
2022	125,000	59,000	184,000
2023	125,000	54,000	179,000
2024	130,000	49,000	179,000
2025-2029	745,000	162,400	907,400
2030-2031	<u>350,000</u>	<u>21,000</u>	<u>371,000</u>
Total	<u>\$ 1,700,000</u>	<u>\$ 473,600</u>	<u>\$ 2,173,600</u>

**I. COMMITMENTS UNDER OPERATING LEASES AND MAINTENANCE AGREEMENTS**

Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2019, as follows:

<u>Year Ending</u> <u>August 31</u>	<u>Operating</u> <u>Leases</u>	<u>Maintenance</u> <u>Agreement</u>
2020	\$ 1,000	\$ 3,072
2021	1,000	1,512
2022	1,000	1,512
2023	1,000	-
2024	<u>1,000</u>	<u>-</u>
Total Minimum Rentals	<u>\$ 5,000</u>	<u>\$ 6,096</u>
Rental Expenditures in Fiscal Year 2018	<u>\$ 1,670</u>	

**J. ACCUMULATED VESTED LEAVE BENEFITS**

At August 31, 2019, the District had \$53,600 of accumulated vested leave benefits payable to employees with ten or more years of service based on vested retirement policy adopted. This policy provides for up to a maximum of 50 days cumulative at a rate established by the board, currently \$50 per day.

**K. DEFINED BENEFIT PENSION PLAN**

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

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

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

Components of the Net Pension liability plan as of August 31, 2018 are as follows:

<u>Components of Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 209,611,328,793
Less: Plan Fiduciary Net Position	<u>(154,568,901,833)</u>
Net Pension Liability	<u>\$ 55,042,426,960</u>
Net Position as percentage of Total Pension Liability	73.74%

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. Contribution Rates can be found in the TRS 2018 CAFR, Note 11, on page 76.

<u>Contribution Rates</u>		
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 FY Employer Contributions		\$ 62,067
District's 2019 FY Member Contributions		\$ 209,929
2018 Measurement Year NECE On-Behalf Contributions		\$ 161,033

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Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education 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 (including public schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**Actuarial Assumptions.** The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions: (Actuarial Assumptions can be found in the 2018 TRS CAFR, Note 11, page 77.)

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2018	3.69% *
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Ad hoc Post Employment Benefit Changes	None
<i>* Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."</i>	

The actuarial methods and assumptions are based primarily on a study of actual experience for the three year period August 31, 2017 and adopted in July 2018.

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**Discount Rate.** The single discount rate used to measure the total pension liability was 6.907%. The Discount Rate can be found in the 2018 TRS CAFR on page 78. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 (see page 52 of the TRS CAFR) are summarized below:

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return	Expected Contributions to Long-Term Portfolio Return
<b>Global Equity</b>			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
<b>Stable Value</b>			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	(0.30%)	0.00%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
<b>Risk Parity</b>			
Risk Parity	<u>5.00%</u>	<u>3.70%</u>	<u>0.18%</u>
Inflation Expectations			2.30%
Volatility Drag**			<u>(0.79%)</u>
<b>Total</b>	<u><b>100.00%</b></u>		<u><b>7.25%</b></u>

\* Target allocations are based on the FY2016 policy model.

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

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability. The discount rate can be found in the 2018 TRS CAFR, Note 11, page 78.

	<u>1% Decrease in Discount Rate</u> (5.907%)	<u>Discount Rate</u> (6.907%)	<u>1% Increase in Discount Rate</u> (7.907%)
District's proportionate share of the net pension liability:	<u>\$ 1,494,327</u>	<u>\$ 990,119</u>	<u>\$ 581,933</u>

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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At August 31, 2019, Windthorst Independent School District reported a liability of \$ 990,119 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Windthorst Independent School District. The amount recognized by Windthorst Independent School 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 Windthorst Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 990,119
State's proportionate share that is associated with the District	<u>2,632,787</u>
Total	<u>\$ 3,622,906</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .0017988291% which was an increase of 0.0001060628% from its proportion measured as of August 31, 2017.

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

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

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

For the year ended August 31, 2019, Windthorst Independent School District recognized pension expense of \$412,767 and revenue of \$260,576 for support provided by the State in the Government Wide Statement of Activities.

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At August 31, 2019, Windthorst Independent School 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: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual actuarial experience	\$ 6,172	\$ 24,294
Changes in actuarial assumptions	356,986	11,156
Difference between projected and actual investment earnings	-	18,787
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>151,596</u>	<u>33,705</u>
Total as of August 31, 2018 measurement date	514,754	87,942
Contributions paid to TRS subsequent to the measurement date	<u>62,067</u>	<u>-</u>
Total	<u>\$ 576,821</u>	<u>\$ 87,942</u>

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized in pension expense as follows

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2020	\$ 117,600
2021	78,064
2022	65,884
2023	63,068
2024	59,421
Thereafter	42,775

**L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

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

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 50,729,490,103
Less: Plan Fiduciary Net Position	<u>( 798,574,633)</u>
Net OPEB Liability	<u>\$ 49,930,915,470</u>
Net Position as a Percentage of Total OPEB Liability	1.57%

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

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

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

	<u>Medicare</u>	<u>Non-Medicare</u>
	<u>(January 1, 2018 thru December 31, 2018)</u>	
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
*or surviving spouse		

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .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.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
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%
2019 FY Employer Contributions		\$ 21,573
2019 FY Member Contributions		\$ 17,721
2018 NECE On-Behalf Contributions		\$ 33,506

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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 to TRS-Care, a monthly surcharge of \$535 per retiree.

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

**Actuarial Assumptions.** The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions: (Actuarial Assumptions can be found in the 2018 TRS CAFR, Note 9, page 71).

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including the rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

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

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables.

**Additional Actuarial Methods and Assumptions:**

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% *
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% - 9.05%, including inflation
Ad-hoc Post Employment Benefit Changes	None

*\*Source from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018.*

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**Discount Rate.** A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 71. 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.

**Sensitivity of the Net OPEB Liability:**

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate</u> (2.69%)	<u>Discount Rate</u> (3.69%)	<u>1% Increase in Discount Rate</u> (4.69%)
District's proportionate share of the Net OPEB Liability:	<u>\$ 1,861,561</u>	<u>\$ 1,563,885</u>	<u>\$ 1,328,405</u>

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the Net OPEB Liability:	<u>\$ 1,298,832</u>	<u>\$ 1,563,885</u>	<u>\$ 1,912,966</u>

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2019, Windthorst Independent School District reported a liability of \$1,563,885 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 Windthorst Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	<u>\$ 1,563,885</u>
State's proportionate share that is associated with the District	<u>2,428,545</u>
Total	<u>\$ 3,992,430</u>

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

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was .0031320981% which was an increase of 0.0002634757% from its proportion measured as of August 31, 2017.

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*Changes Since the Prior Actuarial Valuation* – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period: (These can be found in the TRS CAFR on page 71.)

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

For the year ended August 31, 2019, Windthorst Independent School District recognized OPEB expense of \$145,469 and revenue of \$88,336 for support provided by the State.

At August 31, 2019, Windthorst Independent School 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ 82,990	\$ 24,680
Changes in actuarial assumptions	26,097	469,858
Difference between projected and actual investment earnings	274	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>144,461</u>	<u>-</u>
Total as of August 31, 2018 measurement date	\$ 253,822	\$ 494,538
Contributions paid to TRS subsequent to the measurement date	<u>21,573</u>	<u>-</u>
Total as of fiscal year end	<u>\$ 275,395</u>	<u>\$ 494,538</u>

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2020	(\$ 43,579)
2021	(\$ 43,579)
2022	(\$ 43,579)
2023	(\$ 43,631)
2024	(\$ 43,660)
Thereafter	(\$ 22,688)

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**Medicare Part D.** The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2019, 2018, and 2017 the subsidy payments received by TRS-Care on-behalf of the District were \$ 10,665, \$8,044 and \$7,631 respectively. The information for the year ended August 31, 2019 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

**M. HEALTH CARE COVERAGE - ACTIVE EMPLOYEES**

**Plan Description.** The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

During the year ended August 31, 2019 the District paid premiums of \$325 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer.

**N. UNAVAILABLE/UNEARNED REVENUE**

Unavailable revenue at year end consisted of the following:

	<u>General</u> <u>Fund</u>	<u>Debt Service</u> <u>Fund</u>	<u>Total</u>
Unavailable Revenue-Property Taxes	\$ 22,122	\$ 2,380	\$ 24,502
Total Unavailable Revenue	<u>\$ 22,122</u>	<u>\$ 2,380</u>	<u>\$ 24,502</u>

Unearned revenue at year end consisted of the following:

	<u>General</u> <u>Fund</u>	<u>Debt Service</u> <u>Fund</u>	<u>Total</u>
Unearned Revenue-TEA Overpayment	\$ -	\$ 2,717	\$ 2,717
Total Unearned Revenue	<u>\$ -</u>	<u>\$ 2,717</u>	<u>\$ 2,717</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2019

**O. DUE FROM STATE AGENCIES**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2019, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies except for Small, Rural School Achievement Program which is received directly from the U.S. Department of Education Grant Management System (G5).

<u>FUND</u>	<u>STATE</u> <u>ENTITLEMENTS</u>	<u>STATE</u> <u>PASS-THROUGH</u> <u>GRANTS</u>	<u>DIRECT</u> <u>FEDERAL</u> <u>GRANTS</u>	<u>TOTAL</u>
General Fund	\$ 17,317	\$ -	\$ -	\$ 17,317
Nonmajor Governmental	-	57,214	2,632	59,846
Total	<u>\$ 17,317</u>	<u>\$ 57,214</u>	<u>\$ 2,632</u>	<u>\$ 77,163</u>

**P. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Private</u> <u>Purpose</u> <u>Trust Fund</u>	<u>Total</u>
Property Taxes	\$ 1,038,076	\$ -	\$ 119,432	\$ -	\$ 1,157,508
Penalties, Interest and Other Tax-related Income	21,661	-	2,181	-	23,842
Tuition and fees	5,300	-	-	-	5,300
Investment Income	25,246	27	1,444	5,038	31,755
Gifts and Bequests	3,253	50	-	29,889	33,192
Insurance Recovery	42,303	-	-	-	42,303
Food Sales	-	67,901	-	-	67,901
Co-curricular Student Activities	52,771	-	-	-	52,771
Other	3,479	11,848	-	-	15,327
Total	<u>\$1,192,089</u>	<u>\$ 79,826</u>	<u>\$ 123,057</u>	<u>\$ 34,927</u>	<u>\$1,429,899</u>

**Q. BUILDING LEASE**

The District leases land and buildings for some of its campuses from the local church. Under the terms of the agreement, the District agrees to spend necessary amounts to keep the building in good maintenance and repair. The following represents the District's expenditures relative to the building lease for the contract period September 1, 2018 to August 31, 2019.

Parish Lease Agreement	\$ 1,000
Multi-Peril Insurance	<u>23,321</u>
Total	<u>\$ 24,321</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 AUGUST 31, 2019

**R. 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 collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.

**S. FUND BALANCE COMMITMENTS**

The District has committed amounts of fund balance as of August 31, 2019 as follows:

Committed for replacement of field turf and school safety	\$ 700,000
Committed for bus, and equipment	<u>320,000</u>
Total fund balance commitments	<u>\$ 1,020,000</u>

The board of trustees for Windthorst ISD is accumulating increased amounts in unassigned fund balance to allow for expected decreases in future ADA and the related reduction in State Foundation and federal revenues. Additionally, the board intends to maintain a four month operating reserve to allow for future contingencies or funding reductions.

**T. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS**

The District participates in a shared services arrangement for local and state special education with six other school districts. Although 12.0% of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Olney ISD, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Windthorst Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenues and expenditures of state funds attributable to the District's participation.

	State & Local	Federal
Revenues:	<u>\$ 48,940</u>	<u>\$ 76,419</u>
Expenditures:	<u>\$48,940</u>	<u>\$ 76,419</u>

**U. SUBSEQUENT EVENTS**

The District's management has evaluated the impact of all subsequent events through October 25, 2019, the date which the financial statements were available for issue, and has determined that there were no subsequent events requiring disclosure in the financial statements.

**V. RELATED ORGANIZATIONS**

The District has no material related organizations as defined by *Governmental Accounting Standards Board Statement Number 14*.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,029,051	\$ 1,194,179	\$ 1,192,089	\$ (2,090)
5800 State Program Revenues	3,266,023	3,310,420	3,242,679	(67,741)
5900 Federal Program Revenues	5,000	31,353	31,354	1
5020 Total Revenues	4,300,074	4,535,952	4,466,122	(69,830)
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	2,448,538	2,474,238	2,378,180	96,058
0012 Instructional Resources and Media Services	45,363	45,363	41,214	4,149
0013 Curriculum and Instructional Staff Development	8,473	10,473	7,951	2,522
0023 School Leadership	253,749	256,750	251,613	5,137
0031 Guidance, Counseling and Evaluation Services	53,743	55,616	53,539	2,077
0033 Health Services	58,603	62,603	59,436	3,167
0034 Student (Pupil) Transportation	206,415	335,125	217,249	117,876
0035 Food Services	8,879	8,879	7,698	1,181
0036 Extracurricular Activities	337,403	382,563	353,937	28,626
0041 General Administration	313,913	339,863	318,748	21,115
0051 Facilities Maintenance and Operations	546,903	696,261	611,017	85,244
0052 Security and Monitoring Services	4,294	12,894	7,977	4,917
0053 Data Processing Services	5,000	5,000	3,500	1,500
0061 Community Services	350	350	-	350
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	47,500	59,107	42,499	16,608
0099 Other Intergovernmental Charges	30,975	42,975	33,109	9,866
6030 Total Expenditures	4,370,101	4,788,060	4,387,667	400,393
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(70,027)	(252,108)	78,455	330,563
<b>OTHER FINANCING SOURCES (USES):</b>				
8911 Transfers Out (Use)	(83,215)	(83,215)	(27,531)	55,684
1200 Net Change in Fund Balances	(153,242)	(335,323)	50,924	386,247
0100 Fund Balance - September 1 (Beginning)	3,930,365	3,930,365	3,930,365	-
3000 Fund Balance - August 31 (Ending)	\$ 3,777,123	\$ 3,595,042	\$ 3,981,289	\$ 386,247

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.001798829%	0.001692766%	0.0018287%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 990,119	\$ 541,255	\$ 691,045
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	2,632,787	1,515,332	1,869,674
Total	<u>\$ 3,622,906</u>	<u>\$ 2,056,587</u>	<u>\$ 2,560,719</u>
District's Covered Payroll	\$ 2,754,798	\$ 2,570,812	\$ 2,607,810
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	35.94%	21.05%	26.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for 2015.

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

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0018586%		0.0009372%
\$	656,990	\$	250,339
	1,884,946		1,622,061
<u>\$</u>	<u>2,541,936</u>	<u>\$</u>	<u>1,872,400</u>
\$	2,590,818	\$	2,585,362
	25.36%		9.68%
	78.43%		83.25%

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 62,067	\$ 60,607	\$ 55,479
Contribution in Relation to the Contractually Required Contribution	(62,067)	(60,607)	(55,479)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,726,346	\$ 2,754,798	\$ 2,570,812
Contributions as a Percentage of Covered Payroll	2.28%	2.20%	2.16%

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

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

	2016	2015
\$	75,513	\$ 54,620
	(75,513)	(54,620)
\$	-	\$ -
\$	2,607,810	\$ 2,590,818
	2.90%	2.11%

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.003132098%	0.002686224%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,563,885	\$ 1,247,456
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	2,428,545	2,074,062
Total	<u>\$ 3,992,430</u>	<u>\$ 3,321,518</u>
District's Covered Payroll	\$ 2,754,798	\$ 2,570,812
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	56.77%	48.52%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 21,573	\$ 21,607
Contribution in Relation to the Contractually Required Contribution	(21,573)	(21,607)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 2,726,346	\$ 2,754,798
Contributions as a Percentage of Covered Payroll	0.79%	0.78%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2019

A. Notes to Schedules for the TRS Pension

*Changes of Benefit terms.*

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

*Changes of Assumptions.*

Assumptions, method, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long term assumed rate of return changed from 8.00 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

B. Notes to Schedules for the TRS OPEB Plan

*Changes in Benefit.*

The 85<sup>th</sup> Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2019

*Changes in Assumptions.*

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

- Adjustments were made for retirees that were known to have discontinued their health care cover in fiscal year 2018.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

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

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

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

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

## **COMBINING AND OTHER SCHEDULES**

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ -	\$ (1,571)	\$ -	\$ -
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	1,895	5,462	509	2,632
1410 Prepayments	-	1,606	-	-
1000 Total Assets	<u>\$ 1,895</u>	<u>\$ 5,497</u>	<u>\$ 509</u>	<u>\$ 2,632</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ -	\$ 5,329	\$ -	\$ -
2160 Accrued Wages Payable	1,709	-	459	2,374
2200 Accrued Expenditures	186	168	50	258
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>1,895</u>	<u>5,497</u>	<u>509</u>	<u>2,632</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	-	-
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,895</u>	<u>\$ 5,497</u>	<u>\$ 509</u>	<u>\$ 2,632</u>

288 Title IV Part A Subpart I	410 State Instructional Materials	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ (48,669)	\$ 6,660	\$ (43,580)	\$ 138,333	\$ 94,753
-	-	-	-	2,635	2,635
-	-	-	-	(256)	(256)
679	48,669	-	59,846	-	59,846
-	-	-	1,606	-	1,606
<u>\$ 679</u>	<u>\$ -</u>	<u>\$ 6,660</u>	<u>\$ 17,872</u>	<u>\$ 140,712</u>	<u>\$ 158,584</u>
\$ -	\$ -	\$ -	\$ 5,329	\$ -	\$ 5,329
613	-	-	5,155	-	5,155
66	-	-	728	-	728
-	-	-	-	2,717	2,717
<u>679</u>	<u>-</u>	<u>-</u>	<u>11,212</u>	<u>2,717</u>	<u>13,929</u>
-	-	-	-	2,380	2,380
-	-	-	-	2,380	2,380
-	-	-	-	135,615	135,615
-	-	6,660	6,660	-	6,660
-	-	6,660	6,660	135,615	142,275
<u>\$ 679</u>	<u>\$ -</u>	<u>\$ 6,660</u>	<u>\$ 17,872</u>	<u>\$ 140,712</u>	<u>\$ 158,584</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ 67,901	\$ -	\$ -
5800 State Program Revenues	-	921	-	-
5900 Federal Program Revenues	27,084	100,300	7,170	42,402
5020 Total Revenues	27,084	169,122	7,170	42,402
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	27,084	-	7,170	42,402
0035 Food Services	-	196,653	-	-
Debt Service:				
0071 Principal on Long-Term Debt	-	-	-	-
0072 Interest on Long-Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	27,084	196,653	7,170	42,402
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(27,531)	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	27,531	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

288 Title IV Part A Subpart I	410 State Instructional Materials	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 11,925	\$ 79,826	\$ 123,057	\$ 202,883
-	70,372	-	71,293	62,923	134,216
10,189	-	-	187,145	-	187,145
10,189	70,372	11,925	338,264	185,980	524,244
10,189	70,372	19,515	176,732	-	176,732
-	-	-	196,653	-	196,653
-	-	-	-	105,000	105,000
-	-	-	-	68,506	68,506
-	-	-	-	400	400
10,189	70,372	19,515	373,385	173,906	547,291
-	-	(7,590)	(35,121)	12,074	(23,047)
-	-	-	27,531	-	27,531
-	-	(7,590)	(7,590)	12,074	4,484
-	-	14,250	14,250	123,541	137,791
\$ -	\$ -	\$ 6,660	\$ 6,660	\$ 135,615	\$ 142,275

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 AUGUST 31, 2019

	816 George Beaman Scholarship	817 Monte Schenk Endowment	818 Les Conrady Scholarship	819 Paul & Mary Schenk Scholarship
<b>ASSETS</b>				
Restricted Assets	\$ 26,659	\$ 26,271	\$ 34,750	\$ 15,555
Total Assets	<u>26,659</u>	<u>26,271</u>	<u>34,750</u>	<u>15,555</u>
<b>NET POSITION</b>				
Restricted for Scholarships	<u>26,659</u>	<u>26,271</u>	<u>34,750</u>	<u>15,555</u>
Total Net Position	<u><u>\$ 26,659</u></u>	<u><u>\$ 26,271</u></u>	<u><u>\$ 34,750</u></u>	<u><u>\$ 15,555</u></u>

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820 Top of Texas Scholarship	823 Michelle Cannedy Scholarship	824 Ray Schreiber Scholarship	825 Connie Steinberger Scholarship	Total Private Purpose Trust Funds
\$ 1,000	\$ 79,929	\$ 254	\$ 37,035	\$ 221,453
<u>1,000</u>	<u>79,929</u>	<u>254</u>	<u>37,035</u>	<u>221,453</u>
1,000	79,929	254	37,035	221,453
<u>\$ 1,000</u>	<u>\$ 79,929</u>	<u>\$ 254</u>	<u>\$ 37,035</u>	<u>\$ 221,453</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

	816 George Beaman Scholarship	817 Monte Schenk Endowment	818 Les Conrady Scholarship	819 Paul & Mary Schenk Scholarship
<b>ADDITIONS:</b>				
Local and Intermediate Sources	\$ 983	\$ 1,419	\$ 3,285	\$ 636
Total Additions	<u>983</u>	<u>1,419</u>	<u>3,285</u>	<u>636</u>
<b>DEDUCTIONS:</b>				
Other Operating Costs	500	900	1,000	600
Total Deductions	<u>500</u>	<u>900</u>	<u>1,000</u>	<u>600</u>
Change in Net Position	483	519	2,285	36
Total Net Position - September 1 (Beginning)	<u>26,176</u>	<u>25,752</u>	<u>32,465</u>	<u>15,519</u>
Total Net Position - August 31 (Ending)	<u>\$ 26,659</u>	<u>\$ 26,271</u>	<u>\$ 34,750</u>	<u>\$ 15,555</u>

820 Top of Texas Scholarship	823 Michelle Cannedy Scholarship	824 Ray Schreiber Scholarship	825 Connie Steinberger Scholarship	Total Private Purpose Trust Funds
\$ 1,000	\$ 26,031	\$ 1,328	\$ 245	\$ 34,927
1,000	26,031	1,328	245	34,927
500	2,000	1,500	2,000	9,000
500	2,000	1,500	2,000	9,000
500	24,031	(172)	(1,755)	25,927
500	55,898	426	38,790	195,526
<u>\$ 1,000</u>	<u>\$ 79,929</u>	<u>\$ 254</u>	<u>\$ 37,035</u>	<u>\$ 221,453</u>

## **REQUIRED T.E.A. SCHEDULES**

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.170000	0.110000	61,573,692
2012	1.170000	0.100000	65,757,816
2013	1.170000	0.090000	70,463,889
2014	1.170000	0.090000	75,094,524
2015	1.170000	0.120000	75,908,992
2016	1.170000	0.120000	90,191,860
2017	1.170000	0.120000	86,372,403
2018	1.170000	0.120000	88,281,291
2019 (School year under audit)	1.170000	0.130000	89,711,077
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 344	\$ -	\$ 16	\$ 1	\$ (306)	\$ 21
43	-	39	4	-	-
1,379	-	1,221	104	(14)	39
1,638	-	1,391	107	(14)	125
1,477	-	1,243	96	(13)	124
1,856	-	1,178	121	(12)	545
935	-	320	33	(9)	573
6,067	-	2,055	210	(6)	3,796
9,593	-	2,615	269	(466)	6,244
-	1,166,244	1,028,688	118,550	(3,226)	15,780
<u>\$ 23,332</u>	<u>\$ 1,166,244</u>	<u>\$ 1,038,766</u>	<u>\$ 119,495</u>	<u>\$ (4,068)</u>	<u>\$ 27,248</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 70,000	\$ 70,000	\$ 67,901	\$ (2,099)
5800 State Program Revenues	1,000	1,000	921	(79)
5900 Federal Program Revenues	73,000	101,386	100,300	(1,086)
5020 Total Revenues	144,000	172,386	169,122	(3,264)
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	227,215	237,565	196,653	40,912
6030 Total Expenditures	227,215	237,565	196,653	40,912
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(83,215)	(65,179)	(27,531)	37,648
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	83,215	83,215	27,531	(55,684)
1200 Net Change in Fund Balances	-	18,036	-	(18,036)
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 18,036	\$ -	\$ (18,036)

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 108,283	\$ 123,043	\$ 123,057	\$ 14
5800 State Program Revenues	62,492	64,513	62,923	(1,590)
5020 Total Revenues	170,775	187,556	185,980	(1,576)
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long-Term Debt	173,906	105,000	105,000	-
0072 Interest on Long-Term Debt	-	68,506	68,506	-
0073 Bond Issuance Cost and Fees	-	400	400	-
6030 Total Expenditures	173,906	173,906	173,906	-
1200 Net Change in Fund Balances	(3,131)	13,650	12,074	(1,576)
0100 Fund Balance - September 1 (Beginning)	123,541	123,541	123,541	-
3000 Fund Balance - August 31 (Ending)	\$ 120,410	\$ 137,191	\$ 135,615	\$ (1,576)

**REPORTS ON  
COMPLIANCE, INTERNAL CONTROLS  
AND  
FEDERAL AWARDS**

# FREEMON, SHAPARD & STORY

*Certified Public Accountants*

## **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***

### Independent Auditors' Report

To the Board of Trustees  
Windthorst Independent School District  
Windthorst, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the aggregate remaining fund information of Windthorst Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Windthorst Independent School District's basic financial statements, and have issued our report thereon dated October 25, 2019.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Windthorst Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Windthorst Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Windthorst 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 Windthorst Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

Freemon, Shapard & Story

A handwritten signature in cursive script that reads "Freeman, Shapard & Story".

Windthorst, Texas

October 25, 2019

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

**Summary of the Auditors' Results:**

- The type of report issued on the financial statements of the Windthorst Independent School District was an unmodified opinion.
- With respect to internal control over financial reporting we identified no material weaknesses and we reported no significant deficiencies.
- We noted no noncompliance material to the financial statements.
- Under the guidelines of OMB Compliance Supplement, a Single Audit was not required for the year ended August 31, 2019.
- We disclosed no audit findings which the auditor is required to report in accordance with 2 CFR 200.516(a).

**Findings Relating to Financial Statements Reported in Accordance with *Government Auditing Standards*:**

No findings required to be reported in accordance with *Government Auditing Standards* for the year ended August 31, 2019.

**Findings Relating to Noncompliance with Federal Awards Reported in Accordance with 2 CFR 200.516(a)**

No findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the year ended August 31, 2019.

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

The prior year audit disclosed no audit findings.

WINDTHORST INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2019

<u>Finding Number</u>	<u>Contact Person</u>	<u>Corrective Action Plan</u>	<u>Anticipated Date Corrected</u>
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The audit disclosed no audit findings.

SCHOOLS FIRST QUESTIONNAIRE

Windthorst Independent School District

Fiscal Year 2019

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SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 990,119
SF13	Pension Expense (6147) at fiscal year-end.	\$ -