

WINDTHORST INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2020

WINDTHORST INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-13
 <u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	14
B-1 Statement of Activities	15
Governmental Fund Financial Statements:	
C-1 Balance Sheet	16
C-2 Reconciliation for C-1	17
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	18
C-4 Reconciliation for C-3	19
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	20
E-2 Statement of Changes in Fiduciary Net Position	21
Notes to the Financial Statements	22-50
 <u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	51
G-2 Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	52-53
G-3 Schedule of District Contributions to TRS Pension Plan	54-55
G-4 Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS)	56
G-5 Schedule of District Contributions to the TRS OPEB Plan	57
Notes to Required Supplementary Information	58
 <u>Combining and Other Schedules</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	59-61
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	62-64
Private Purpose Trust Funds:	
H-3 Combining Statement of Fiduciary Net Position - Private Purpose Trust Funds	65-66
H-4 Combining Statement of Additions, Deductions and Changes in Fiduciary Net Position	67-68
 <u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes	69-70
J-2 Budgetary Comparison Schedule - Child Nutrition Fund	71
J-3 Budgetary Comparison Schedule - Debt Service Fund	72
 <u>Reports on Compliance, Internal Control, and Federal Awards</u>	
Report on Internal Control Over Financial Reporting and Compliance Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73-74
Schedule of Findings and Questioned Costs	75
Schedule of Status of Prior Findings	76
Corrective Action Plan	77
L-1 Schools First Questionnaire	78

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) X approved disapproved for the year ended August 31, 2020 at a meeting of the Board of Trustees of such school district on the 14th of December, 2020.

Jennifer Barton
Signature of Board Secretary

Al Stehly
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

Windthorst Independent School District
P.O. Box 190
Windthorst, Texas 76389

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, 2020, 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, 2020, 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 51, 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 52-58 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 financial 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 financial 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 November 16, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 "Freemon, Shapard & Story".

Windthorst, Texas

November 16, 2020

WINDTHORST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2020

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, 2020. Please read it in conjunction with the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

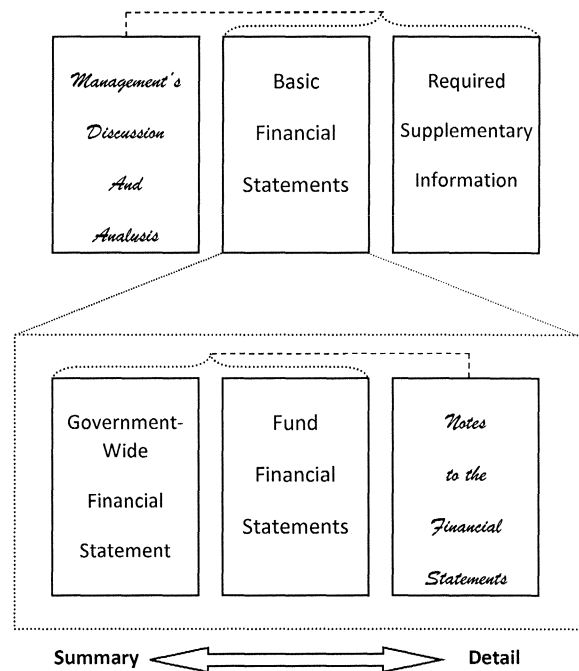
- The District's net position increased by \$63,762 as a result of this year's operations as per Exhibit B-1. Of total net position of \$7,664,462 at August 31, 2020, \$974,047 (Unrestricted Net Position) may be used to meet the District's ongoing obligations. The increase from prior period Net Position of \$7,600,700 is primarily due to increased State Aid-Formula Grants for the year. Additionally \$1,020,000 is currently restricted for capital projects.
- During the year, the District had expenses that were \$63,762 less than the \$5,871,645 generated in tax and other revenues for governmental programs as reflected on Exhibit B-1. This compares to last year when expenses were more than revenues by \$221,328. Total cost of all of the District's programs was \$5,807,883 with three new programs added this year, ESSER-School Emergency Relief Grant, School Safety and Security Grant and Math Achievement Stipends Grant and no old programs deleted this year.
- The General Fund ended the year with a fund balance of \$4,449,902 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 \$421,293 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, 2020

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 and trust funds as reflected on Exhibits H-1 through H-4 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

Type of Statement	Government-wide	Government Funds	Fiduciary Funds
<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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary assets and liabilities • Statement of Changes in Fiduciary Net Position
<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	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

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.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2020

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.

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.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2020

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.

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 increased from \$7,600,700 to \$7,664,462. 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 \$974,047 at August 31, 2020. This increase in governmental Net Position was the result of five factors. First, the District's revenues exceeded expenditures by \$502,254 (page 18). Second, the District paid off bonds in the amount of \$110,000, acquired capital assets net of dispositions in the amount of \$56,705 and recorded adjustments to compensated retirement absences of \$1,400. Third, the District recorded depreciation and other adjustments in the amounts of \$464,105 and \$10,740, respectively. Fourth, the District recorded an adjustment of \$124,090 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 \$26,342 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>2020</u>	<u>2019</u>
Current and other assets	\$ 4,851,544	\$ 4,328,765
Capital assets	<u>7,099,057</u>	<u>7,506,457</u>
Total assets	<u>11,950,601</u>	<u>11,835,222</u>
Deferred Outflows of Resources	<u>782,589</u>	<u>852,216</u>
Long-term liabilities	4,012,909	4,317,052
Other liabilities	<u>191,881</u>	<u>180,699</u>
Total liabilities	<u>4,204,790</u>	<u>4,497,751</u>
Deferred Inflows of Resources	<u>863,938</u>	<u>588,987</u>
Net Position:		
Invested in capital assets, net of related debt	5,494,499	5,790,502
Restricted	1,195,916	1,162,275
Unrestricted	<u>974,047</u>	<u>647,923</u>
Total Net Position	<u>\$ 7,664,462</u>	<u>\$ 7,600,700</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2020

Table II
Windthorst Independent School District
CHANGES IN NET POSITION

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 133,761	\$ 141,299
Operating Grants and Contributions	833,507	714,560
General Revenues:		
Maintenance and Operations Taxes	968,830	1,043,680
Debt Service Taxes	150,060	120,153
State Aid Formula Grants	3,724,179	3,036,443
Investment Earnings	22,790	26,717
Miscellaneous	<u>38,518</u>	<u>68,695</u>
Total Revenue	<u>5,871,645</u>	<u>5,151,547</u>
Expenses:		
Instruction, curriculum and media services	3,349,456	2,993,175
Instructional Resources and Media Services	42,835	42,958
Curriculum and Staff Development	6,492	7,951
School Leadership	300,551	273,736
Guidance, social work, health, transportation	62,149	57,977
Health Services	78,645	63,443
Student (Pupil) Transportation	205,500	181,504
Food Services	221,152	216,206
Extracurricular activities	431,913	482,919
General administration	356,747	338,715
Facilities Maintenance and Operations	604,615	559,698
Security and Monitoring Services	4,503	7,977
Data Processing Services	-	3,500
Debt Service	64,752	67,508
Payment to Fiscal Agent/Member District of SSA	53,132	42,499
Other Intergovernmental Charges	<u>25,441</u>	<u>33,109</u>
Total Expenses	<u>5,807,883</u>	<u>5,372,875</u>
Increase in Net Position	63,762	(221,328)
Net Position at Beginning	<u>7,600,700</u>	<u>7,822,028</u>
Net Position at Ending	<u>\$ 7,664,462</u>	<u>\$ 7,600,700</u>

The District's total revenues increased 13.9% (\$720,098), an increase from \$5,151,547 last year to \$5,871,645 in the current year. The total cost of all programs and services increased 8.1% (\$435,008) from last year, an increase from \$5,372,875 last year to \$5,807,883 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 \$1,118,890 because some of the costs were paid by those who directly benefited from the programs (\$133,761) or by other governments and organizations that subsidized certain programs with grants and contributions (\$833,507), and by State formula funding (\$3,724,179).

WINDTHORST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2020

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 \$4,625,818 which is 12.1% (\$502,254) more than last year's total of \$4,123,564. Included in this year's total change in fund balance is an increase of \$468,613 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 18.8% 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 77.5% of the District's General Fund revenues. The District property tax rates decreased from \$1.17 in the prior year to \$1.06835 in the current year for M&O and increased from \$.13 in the prior year to \$.16 in the current year for Debt Service. The total assessed valuation increased from \$89,711,077 to \$91,608,972 in the current year, resulting in a levy of \$1,125,233 decreased from \$1,166,244 in the prior year.

Over 59.5% of General Fund expenditures were dedicated for instructional effort. When combined with student support services such as counseling, nursing, extracurricular and transportation, 78.2% of General Fund expenditures were dedicated to direct student services.

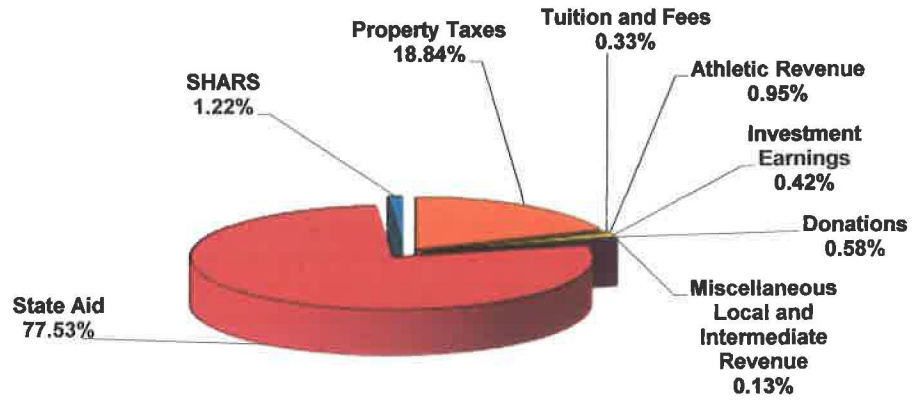
Other changes in fund balances should also be noted. The District purchased \$56,705 of capital assets and reduced debt by \$110,000. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and 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 2019). 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.

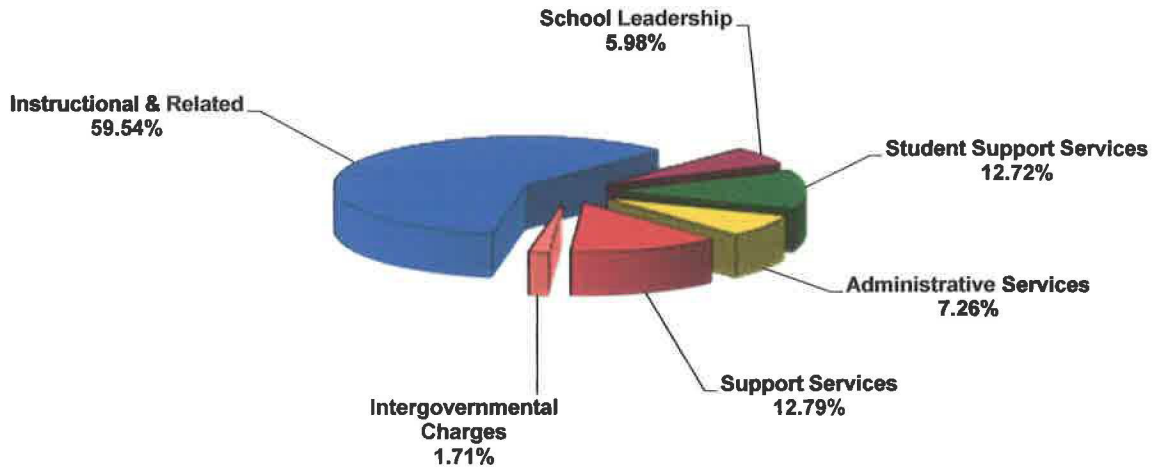
The District's General Fund balance of \$4,449,902 reported on pages 16 differs from the General Fund's budgetary fund balance of \$4,028,609 reported in the budgetary comparison schedule on page 51. This is principally due to cost savings realized by closely monitoring expenses for the year.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2020

General Fund- Operating Revenue 2020



General Fund-Operating Expenditure 2020



WINDTHORST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020 the District had \$13,496,174 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The District reported no dispositions in the current year.

This year's major additions included:

Security Locks for High School	\$ 28,142
Elementary Playground Equipment	<u>28,563</u>
Totaling	<u>\$ 56,705</u>

Windthorst Independent School District
Capital Assets, Net of Depreciation

	<u>Governmental</u> <u>Activities</u>	
	<u>2020</u>	<u>2019</u>
Land	\$ 447,313	\$ 447,313
Buildings	6,372,137	6,738,564
Furniture and Equipment	<u>279,607</u>	<u>320,580</u>
Total Capital Assets, net of Depreciation	<u>\$ 7,099,057</u>	<u>\$ 7,506,457</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 \$1,590,000 in bonds outstanding versus \$1,700,000 last year—a decrease of 6.4%. This decrease consisted of principal payment of \$110,000. 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>2020</u>	<u>2019</u>
General Obligation Bonds	\$ <u>1,590,000</u>	\$ <u>1,700,000</u>
Total Long Term Debt	<u>\$ 1,590,000</u>	<u>\$ 1,700,000</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
AUGUST 31, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's elected and appointed officials considered many factors when setting the fiscal-year 2020-2021 budget and tax rates. One of those factors is the economy and student attendance. The District's refined average daily attendance decreased from 378 students in 2018-19 to 366 students in 2019-20 school year.

These indicators were taken into account when adopting the General Fund budget for 2020-2021. Amounts available for appropriation in the General Fund budget are \$4,913,910 a decrease from the actual 2020 revenues of \$5,140,998. The District will use its revenues to finance programs we currently offer. Budgeted expenditures and transfers out are expected to increase to \$5,046,788 from \$4,672,375 actual expenditures in 2020. The District has added no major new programs or initiatives to the 2020-2021 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to decrease \$132,878 by the close of 2020-2021.

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, 2020

EXHIBIT A-1

Data Control Codes		Primary Government
		Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 4,587,561
1220	Property Taxes - Delinquent	38,395
1230	Allowance for Uncollectible Taxes	(4,550)
1240	Due from Other Governments	177,735
1300	Inventories	2,852
1410	Prepayments	49,551
	Capital Assets:	
1510	Land	447,313
1520	Buildings, Net	6,372,137
1530	Furniture and Equipment, Net	279,607
1000	Total Assets	11,950,601
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Outflow Related to TRS Pension	481,417
1706	Deferred Outflow Related to TRS OPEB	301,172
1700	Total Deferred Outflows of Resources	782,589
LIABILITIES		
2110	Accounts Payable	19,837
2150	Payroll Deductions and Withholdings	35
2160	Accrued Wages Payable	166,575
2200	Accrued Expenses	4,513
2300	Unearned Revenue	921
	Noncurrent Liabilities:	
2501	Due Within One Year	115,000
2502	Due in More Than One Year	1,538,621
2540	Net Pension Liability (District's Share)	921,807
2545	Net OPEB Liability (District's Share)	1,437,481
2000	Total Liabilities	4,204,790
DEFERRED INFLOWS OF RESOURCES		
2602	Deferred Gain on Defeasance Bonds	5,937
2605	Deferred Inflow Related to TRS Pension	184,940
2606	Deferred Inflow Related to TRS OPEB	673,061
2600	Total Deferred Inflows of Resources	863,938
NET POSITION		
3200	Net Investment in Capital Assets	5,494,499
3850	Restricted for Debt Service	172,060
3860	Restricted for Capital Projects	1,020,000
3870	Restricted for Campus Activities	3,856
3900	Unrestricted	974,047
3000	Total Net Position	\$ 7,664,462

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, 2020

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	
	Expenses			6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 3,349,456	\$ 31,921	\$ 527,099	\$ (2,790,436)
12 Instructional Resources and Media Services	42,835	-	2,944	(39,891)
13 Curriculum and Instructional Staff Development	6,492	-	-	(6,492)
23 School Leadership	300,551	-	26,728	(273,823)
31 Guidance, Counseling and Evaluation Services	62,149	-	5,189	(56,960)
33 Health Services	78,645	-	7,722	(70,923)
34 Student (Pupil) Transportation	205,500	-	11,919	(193,581)
35 Food Services	221,152	53,018	96,044	(72,090)
36 Extracurricular Activities	431,913	48,822	20,576	(362,515)
41 General Administration	356,747	-	25,094	(331,653)
51 Facilities Maintenance and Operations	604,615	-	23,310	(581,305)
52 Security and Monitoring Services	4,503	-	25,000	20,497
72 Debt Service - Interest on Long-Term Debt	64,352	-	61,882	(2,470)
73 Debt Service - Bond Issuance Cost and Fees	400	-	-	(400)
93 Payments Related to Shared Services Arrangements	53,132	-	-	(53,132)
99 Other Intergovernmental Charges	25,441	-	-	(25,441)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 5,807,883	\$ 133,761	\$ 833,507	(4,840,615)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			968,830
DT	Property Taxes, Levied for Debt Service			150,060
SF	State Aid - Formula Grants			3,724,179
IE	Investment Earnings			22,790
MI	Miscellaneous Local and Intermediate Revenue			38,518
TR	Total General Revenues			4,904,377
CN	Change in Net Position			63,762
NB	Net Position - Beginning			7,600,700
NE	Net Position - Ending			\$ 7,664,462

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 4,456,341	\$ 131,220	\$ 4,587,561
1220 Property Taxes - Delinquent	34,086	4,309	38,395
1230 Allowance for Uncollectible Taxes	(4,090)	(460)	(4,550)
1240 Due from Other Governments	119,683	58,052	177,735
1300 Inventories	2,852	-	2,852
1410 Prepayments	49,053	498	49,551
1000 Total Assets	<u>\$ 4,657,925</u>	<u>\$ 193,619</u>	<u>\$ 4,851,544</u>
LIABILITIES			
2110 Accounts Payable	\$ 14,010	\$ 5,827	\$ 19,837
2150 Payroll Deductions and Withholdings Payable	35	-	35
2160 Accrued Wages Payable	160,285	6,290	166,575
2200 Accrued Expenditures	3,697	816	4,513
2300 Unearned Revenue	-	921	921
2000 Total Liabilities	<u>178,027</u>	<u>13,854</u>	<u>191,881</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	29,996	3,849	33,845
2600 Total Deferred Inflows of Resources	<u>29,996</u>	<u>3,849</u>	<u>33,845</u>
FUND BALANCES			
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	172,060	172,060
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	-	3,856	3,856
3600 Unassigned Fund Balance	3,429,902	-	3,429,902
3000 Total Fund Balances	<u>4,449,902</u>	<u>175,916</u>	<u>4,625,818</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,657,925</u>	<u>\$ 193,619</u>	<u>\$ 4,851,544</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, 2020

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 4,625,818
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 \$13,439,469 and the accumulated depreciation was \$5,933,012. 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 \$1,769,555 in the governmental activities is to increase (decrease) net position.	5,736,902
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 2020 capital outlays additions and deletions (\$56,705), debt principal payments (\$110,000) and adjustments to vested retirement (\$1,400) is to increase (decrease) net position.	165,305
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 \$481,417, a deferred resource inflow in the amount of \$184,940, and a net pension liability in the amount of \$921,807. This resulted in a decrease in Net Position.	(625,330)
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 \$301,172, a deferred resource inflow in the amount of \$673,061, and a net OPEB liability in the amount of \$1,437,481. This resulted in a decrease in net position.	(1,809,370)
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(464,105)
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.	35,242
Net Position of Governmental Activities	\$ 7,664,462

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, 2020

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 1,092,506	\$ 212,110	\$ 1,304,616
5800 State Program Revenues	3,985,722	147,426	4,133,148
5900 Federal Program Revenues	62,760	187,994	250,754
5020 Total Revenues	5,140,988	547,530	5,688,518
EXPENDITURES:			
Current:			
0011 Instruction	2,695,613	178,761	2,874,374
0012 Instructional Resources and Media Services	40,976	-	40,976
0013 Curriculum and Instructional Staff Development	6,492	-	6,492
0023 School Leadership	275,529	-	275,529
0031 Guidance, Counseling, and Evaluation Services	57,025	-	57,025
0033 Health Services	73,438	-	73,438
0034 Student (Pupil) Transportation	143,851	-	143,851
0035 Food Services	9,020	199,490	208,510
0036 Extracurricular Activities	302,452	-	302,452
0041 General Administration	334,628	-	334,628
0051 Facilities Maintenance and Operations	584,763	-	584,763
0052 Security and Monitoring Services	4,503	25,000	29,503
Debt Service:			
0071 Principal on Long-Term Debt	-	110,000	110,000
0072 Interest on Long-Term Debt	-	65,750	65,750
0073 Bond Issuance Cost and Fees	-	400	400
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	53,132	-	53,132
0099 Other Intergovernmental Charges	25,441	-	25,441
6030 Total Expenditures	4,606,863	579,401	5,186,264
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	534,125	(31,871)	502,254
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	65,512	65,512
8911 Transfers Out (Use)	(65,512)	-	(65,512)
7080 Total Other Financing Sources (Uses)	(65,512)	65,512	-
1200 Net Change in Fund Balances	468,613	33,641	502,254
0100 Fund Balance - September 1 (Beginning)	3,981,289	142,275	4,123,564
3000 Fund Balance - August 31 (Ending)	\$ 4,449,902	\$ 175,916	\$ 4,625,818

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, 2020

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 502,254
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 2020 capital outlays and deletions (\$56,705), debt principal payments (\$110,000) and adjusting the year end balance of compensated absences (\$1,400) is to increase (decrease) net position.	165,305
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.	(464,105)
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.	10,740
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 \$76,351. 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 \$62,067. 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 \$138,374. The net result is a decrease in the change in net position.	(124,090)
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 \$24,165. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$21,573. 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 \$28,934. The net result is an increase in the change in net position.	(26,342)
Change in Net Position of Governmental Activities	\$ 63,762

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, 2020

	Private Purpose Trust Funds	Total Custodial Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 140,780
Restricted Assets	225,346	-
Total Assets	<u>225,346</u>	<u>\$ 140,780</u>
NET POSITION		
Restricted for Scholarships	225,346	-
Restricted for Other Purposes	-	140,780
Total Net Position	<u>\$ 225,346</u>	<u>\$ 140,780</u>

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, 2020

	Private Purpose Trust Funds	Total Custodial Funds
ADDITIONS:		
Student Group Fundraising Activities	\$ -	\$ 147,037
Earnings from Temporary Deposits	6,348	380
Contributions, Gifts and Donations	3,045	-
Total Additions	<u>9,393</u>	<u>147,417</u>
DEDUCTIONS:		
Supplies and Materials	-	140,177
Other Deductions	5,500	-
Total Deductions	<u>5,500</u>	<u>140,177</u>
Change in Fiduciary Net Position	3,893	7,240
Total Net Position - September 1 (Beginning)	221,453	-
Prior Period Adjustment	<u>-</u>	<u>133,540</u>
Total Net Position - August 31 (Ending)	<u>\$ 225,346</u>	<u>\$ 140,780</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, 2020

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 resource 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, 2020

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, 2020

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.

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.

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.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

2. **Custodial Funds** – The District accounts for resources held for others in a custodial capacity in custodial funds. The District's custodial funds are used to account for activities of student groups and other organizational activities. Custodial Funds report fiduciary activities for which there is no trust or equivalent arrangement. 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. Inventories on the balance sheet include Personal Protective Equipment (PPE) received from the state and recorded at fair values supplied by the Texas Department of Emergency Management. Although the PPE was received at no cost, the fair value is supplied by the TDEM and recorded as inventory and revenue when received. When requisitioned, inventory is depleted and expenditures are charged.

The District in the past has not reported 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.

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, 2020, 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, 2020

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 2020, 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, 2020

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, 2020, the District had restricted fund balances as follows:

Retirement for Long Term Debt	\$ 172,060
Total Restricted Fund Balance	<u>\$ 172,060</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, 2020, 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, 2020, the District's assigned fund balance of \$3,856 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 \$5,494,499.

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, 2020 that consists of assets with constraints placed on their use by the bond covenants is \$172,060.

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, 2020 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, 2020 that consists of assets with constraints place on their use by external parties is \$3,856.

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 \$974,047.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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, 2019.
12. 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, 2019 as well as the deferred gain on defeasance of bonds.
13. Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, was originally effective for fiscal years beginning after December 15, 2019. However this date was postponed for 18 months and now is effective for reporting periods beginning after June 15, 2021. 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, 2022.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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> <u>at the Beginning of the year</u>	<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	11,218,021	4,479,457	6,738,564	
Furniture & Equipment	<u>1,774,135</u>	<u>1,453,555</u>	<u>320,580</u>	
Change in Net Position	<u>\$13,439,469</u>	<u>\$ 5,933,012</u>	<u>\$ 7,506,457</u>	\$ 7,506,457
<u>Long-term Liabilities</u> <u>at the Beginning of the year</u>			<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Bonds Payable			(\$1,700,000)	
Deferred Gain/Loss on Defeasance			(6,507)	
Unamortized Premium/(Discount) on Bonds			(9,448)	
Vested Retirement			<u>(53,600)</u>	
Change in Net Position				<u>(1,769,555)</u>
Net Adjustment to Net Position				<u>\$ 5,736,902</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 \$625,330 for net pension liability required to be recorded by GASB 68 and \$1,809,370 for the net OPEB liability required to be recorded by GASB 75.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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	\$ 28,142	\$ 28,142	\$ 28,142
Furniture & Equipment	<u>28,563</u>	<u>28,563</u>	<u>28,563</u>
Total Capital Outlay	<u>\$ 56,705</u>	<u>\$ 56,705</u>	<u>\$ 56,705</u>
<u>Debt Principal Payments</u>			
Bond Principal	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>
Total Debt Activity	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 110,000</u>
<u>Vested Retirement</u>	<u>\$ 1,400</u>	<u>(\$ 1,400)</u>	<u>(\$ 1,400)</u>
Total Adjustment to Net Position		<u>\$ 165,305</u>	<u>\$ 165,305</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	\$ 6,493	(\$ 6,493)	\$ -
Uncollected taxes(assumed collectible) from Current Year Levy	16,779	16,778	16,778
Uncollected Taxes (assumed collectible) from Prior Year Levy	17,066	(943)	17,066
Deferred Gain/Loss Defeasance	570	570	570
Bond Premium Amortization	<u>828</u>	<u>828</u>	<u>828</u>
Total		<u>\$ 10,740</u>	<u>\$ 35,242</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
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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

During the year ended August 31, 2020, expenditures exceeded appropriations in the following functional areas:

General Fund	
Food Services	<u>\$ 9,020</u>
Payments to fiscal agent SSA	<u>\$ 3,329</u>

C. DEFICIT FUND EQUITY

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved 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 dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance or National Credit Union Administration (NCUA) insurance. Therefore, the District is not exposed to custodial risk.

1. Cash Deposits

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$4,587,561 and the bank balance was \$4,620,398. The District's cash deposits at August 31, 2020 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 \$5,960,340.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$5,416,453 and occurred during the month of March 2020.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

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, 2020, 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)	\$ 2,547,354	.03%	\$ 2,547,354	N/A
Certificate of Deposits (FDIC Insured)	1,815,034	.10-.90%	1,815,034	N/A
Cash (NCUA Insured)	225,122	.20-1.86%	225,122	N/A
Investment Pools:				
Lone Star	51		51	AAA
Total Cash and Cash Equivalents	<u>\$ 4,587,561</u>		<u>\$ 4,587,561</u>	

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

2. Investments

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.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. 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. At August 31, 2020, the District held investments in one public funds investment pool (TexPool). All of the securities are in the District's name and held by the District or its agent.
- b. Credit Risk- To limit the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by national recognized rating agencies is designed to give an indication of credit risk. As of August 31, 2020, 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.
- c. 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.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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

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

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

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area are conducted as a part of the overall audit, and focus on the areas of investment practices, management reports and establishment of appropriate policies. The District materially adhered to the requirements of the Public Investment Act. Additionally, investment practices of the District were in accordance with local policies.

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, 2020.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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, 2020, were as follows:

Transfers from General Fund to:	<u>Total</u>
Nonmajor Governmental Funds	
National Lunch Program	\$ 65,512
Total Transfers from General Fund	<u>\$ 65,512</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2020, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Total Receivables</u>
Governmental Activities:			
General Fund	\$ 34,086	\$ 119,683	\$ 153,769
Nonmajor Governmental Funds	4,309	58,052	62,361
Total - Governmental Activities	<u>\$ 38,395</u>	<u>\$ 177,735</u>	<u>\$ 216,130</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 4,550</u>	<u>\$ -</u>	<u>\$ 4,550</u>

Payables at August 31, 2020, were as follows:

	<u>Accounts</u>	<u>Payroll Deductions & Withholdings</u>	<u>Salaries and Benefits</u>	<u>Accrued Expenses</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 14,010	\$ 35	\$ 160,285	\$ 3,697	\$ 178,027
Nonmajor Gov. Funds	5,827	-	6,290	816	12,933
Total - Governmental Activities	<u>\$ 19,837</u>	<u>\$ 35</u>	<u>\$ 166,575</u>	<u>\$ 4,513</u>	<u>\$ 190,960</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	\$ 447,313	\$ -	(\$ -)	\$ 447,313
Buildings and Improvements	11,218,021	28,142	(-)	11,246,163
Furniture and Equipment	1,774,135	28,563	(-)	1,802,698
Totals at Historic Cost	<u>13,439,469</u>	<u>56,705</u>	<u>(-)</u>	<u>13,496,174</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(4,479,457)	(394,569)	-	(4,874,026)
Furniture and Equipment	(1,453,555)	(69,536)	-	(1,523,091)
Total Accumulated Depreciation	<u>(5,933,012)</u>	<u>(464,105)</u>	<u>-</u>	<u>(6,397,117)</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,506,457</u>	<u>(\$ 407,400)</u>	<u>(\$ -)</u>	<u>\$ 7,099,057</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 260,995
School Leadership	1,187
Student (Pupil) Transportation	54,121
Co-curricular/Extracurricular Activities	112,412
Plant Maintenance and Operations	<u>35,390</u>
Total Depreciation Expense	<u>\$ 464,105</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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, 2020 is as follows:

DESCRIPTION	Interest	Amounts	Interest	Payable	Issued/ Additions	Retired	Outstanding 8/31/20
	Rate Payable	Original Issue	Current Year	Amounts Outstanding 9/1/19			
Unlimited Tax Refunding	1.0%-						
Bonds Series 2011	4.0%	\$2,205,000	\$ 65,750	\$ 1,700,000	\$ -	\$ 110,000	\$ 1,590,000
Total Bonds			\$ 65,750	\$ 1,700,000	\$ -	\$ 110,000	\$ 1,590,000
Plus:							
Unamortized Premium							
Bonds							8,621
Vested Retirement							55,000
Total Long Term Debt A-1							\$ 1,653,621
Net Pension Liability				\$ 990,119	(\$ 6,245)	\$ 62,067	\$ 921,807
Net OPEB Liability				\$ 1,563,885	(\$ 104,831)	\$ 21,573	\$ 1,437,481

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

Bonds Payable \$ 115,000

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, 2020.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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>	
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	135,000	43,800	178,800
2025-2029	785,000	132,600	917,600
2030-2031	<u>175,000</u>	<u>7,000</u>	<u>182,000</u>
Total	<u>\$ 1,590,000</u>	<u>\$ 407,850</u>	<u>\$ 1,997,850</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, 2020, as follows:

<u>Year Ending</u> <u>August 31</u>	<u>Operating</u> <u>Leases</u>	<u>Maintenance</u> <u>Agreement</u>
2021	\$ 1,000	\$ 3,072
2022	1,000	3,072
2023	1,000	1,560
2024	1,000	1,560
2025	<u>1,000</u>	<u>1,560</u>
Total Minimum Rentals	<u>\$ 5,000</u>	<u>\$ 10,824</u>
Rental Expenditures in Fiscal Year 2020	<u>\$ 1,165</u>	

J. ACCUMULATED VESTED LEAVE BENEFITS

At August 31, 2020, the District had \$55,000 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 plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

<u>Components of Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$209,961,325,288
Less: Plan Fiduciary Net Position	(157,978,199,075)
Net Pension Liability	<u>\$ 51,983,126,213</u>
Net Position as percentage of Total Pension Liability	75.24%

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.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025. Contribution Rates can be found in the TRS 2019 CAFR, Note 11, on page 76.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
District's 2020 FY Employer Contributions		\$ 76,351
District's 2020 FY Member Contributions		\$ 237,028
2019 Measurement Year NECE On-Behalf Contributions		\$ 155,601

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, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- 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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions

Roll Forward - A change was made in the measurement date of the total pension liability for the 2019 measurement year. The actuarial valuation was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2018 and were adopted in July 2018.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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 with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP.

The following table discloses the assumptions that were applied to this measurement period.

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Rate	7.25%
Municipal Bond Rate as of August, 2019	2.63% - 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."
Last year ending August 31 in Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post Employment Benefit Changes	None

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

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

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 (see page 52 of the TRS CAFR) are summarized below:

Asset Class	FY 2019 Target Allocation*	New Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
Global Equity			
USA	18.00%	18.00%	6.40%
Non-U.S. Developed	13.00%	13.00%	6.30%
Emerging Markets	9.00%	9.00%	7.30%
Directional Hedge Funds	4.00%	---	---
Private Equity	13.00%	14.00%	8.40%
Stable Value			
U.S. Treasuries****	11.00%	16.00%	3.10%
Stable Value Hedge Funds	4.00%	5.00%	4.50%
Absolute Return (Including Credit Sensitive Investments)	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds****	3.00%	0.0%	0.0%
Real Estate	14.00%	15.00%	8.50%
Energy, Natural Resources and Infrastructure	5.00%	6.00%	7.30%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.00%	8.00%	5.8%/6.5%*****
Leverage			
Cash	1.00%	2.00%	2.50%
Asset Allocation Leverage	0.0%	(6.00%)	2.70%
Expected Return	100%	100%	7.23%

* FY 2019 Target Allocations are based on the Strategic Asset Allocation dated 10/1/2018

** New target allocation based on the Strategic Asset Allocation dated 10/1/2019

*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

*****5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability. The discount rate can be found in the 2019 TRS CAFR, Note 11, page 78.

	<u>1% Decrease in Discount Rate</u> (6.25%)	<u>Current Single Discount Rate</u> (7.25%)	<u>1% Increase in Discount Rate</u> (8.25%)
District's proportionate share of the net pension liability:	\$ 1,416,952	\$ 921,807	\$ 520,645

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2020, Windthorst Independent School District reported a liability of \$921,807 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	\$ 921,807
State's proportionate share that is associated with the District	<u>2,311,054</u>
Total	<u>\$ 3,232,861</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0017732818% which was a decrease of 0.0000255473% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation –Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability decreased since the prior measurement date due to a change in the following actuarial assumptions:

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

For the year ended August 31, 2020, Windthorst Independent School District recognized pension expense of \$563,475 and revenue of \$363,034 for support provided by the State.

At August 31, 2020, 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 Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ 3,872	\$ 32,007
Changes in actuarial assumptions	285,990	118,185
Difference between projected and actual investment earnings	9,256	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>105,948</u>	<u>34,748</u>
Total as of August 31, 2019 measurement date	\$ 405,066	\$ 184,940
Contributions paid to TRS subsequent to the measurement date	<u>76,351</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 481,417</u>	<u>\$ 184,940</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2021	\$ 64,546
2022	\$ 52,491
2023	\$ 49,243
2024	\$ 45,624
2025	\$ 17,266
Thereafter	(\$ 9,044)

L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The Windthorst Independent School 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, 2019 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 48,583,247,239
Less: plan fiduciary net position	(1,292,022,349)
Net OPEB liability	<u>\$ 47,291,224,890</u>
Net position as a percentage of total OPEB liability	2.66%

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including COLAS.

The premium rates for retirees are presented in the following table:

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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

<u>Contribution Rates</u>		
	<u>2019</u>	<u>2020</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%
District's 2020 FY Employer Contributions		\$ 24,165
District's 2020 FY Member Contributions		\$ 20,009
2019 Measurement Year NECE On-Behalf Contributions		\$ 28,664

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 \$73.6 million in fiscal year 2019.

Actuarial Assumptions. The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2019 TRS CAFR, Note 9, page 70.*

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

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

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 Rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% - 9.05%, including inflation
Ad-hoc Post Employment Benefit Changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023, 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 2.30 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.

Discount Rate. A single discount rate of 2.63% was used to measure the total OPEB liability. This was a decrease of 1.06 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2019 TRS CAFR on page 70.* 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 (2.63%) in measuring the Net OPEB Liability.

	<u>1% Decrease in</u> <u>Discount Rate</u> <u>(1.63%)</u>	<u>Current Single</u> <u>Discount Rate</u> <u>(2.63%)</u>	<u>1% Increase in</u> <u>Discount Rate</u> <u>(3.63%)</u>
District's proportionate share of the Net OPEB Liability:	\$ 1,735,501	\$ 1,437,481	\$ 1,204,340

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2020, Windthorst Independent School District reported a liability of \$1,437,481 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	\$ 1,437,481
State's proportionate share that is associated with the District	<u>1,910,091</u>
Total	<u>\$ 3,347,572</u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was 0.0030396358% which was a decrease of 0.0000924623% from its proportion measured as of August 31, 2018..

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:	\$ 1,172,647	\$ 1,437,481	\$ 1,792,238

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

For the year ended August 31, 2020, Windthorst Independent School District recognized OPEB expense of \$100,849 and revenue of \$ 50,342 for support provided by the State.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

At August 31, 2020, 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	\$ 70,521	\$ 235,229
Changes in actuarial assumptions	79,841	386,647
Difference between projected and actual investment earnings	156	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>126,489</u>	<u>51,185</u>
Total as of August 31, 2019 measurement date	\$ 277,007	\$ 673,061
Contributions paid to TRS subsequent to the measurement date	<u>24,165</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 301,172</u>	<u>\$ 673,061</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>
2021	(\$ 67,713)
2022	(\$ 67,713)
2023	(\$ 67,763)
2024	(\$ 67,792)
2025	(\$ 67,785)
Thereafter	(\$ 57,288)

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, 2020, 2019, and 2018 the subsidy payments received by TRS-Care on-behalf of the District were \$ 14,621, \$10,665 and \$8,044 respectively. 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.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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	\$ 29,996	\$ 3,849	\$ 33,845
Total Unavailable Revenue	<u>\$ 29,996</u>	<u>\$ 3,849</u>	<u>\$ 33,845</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	\$ -	\$ 921	\$ 921
Total Unearned Revenue	<u>\$ -</u>	<u>\$ 921</u>	<u>\$ 921</u>

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, 2020, 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	\$ 119,683	\$ -	\$ -	\$ 119,683
Nonmajor Governmental	-	55,421	2,631	58,052
Total	<u>\$ 119,683</u>	<u>\$ 55,421</u>	<u>\$ 2,631</u>	<u>\$ 177,735</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>Custodial</u> <u>Funds</u>	<u>Total</u>
Property Taxes	\$ 962,709	\$ -	\$ 148,782	\$ -	\$ -	\$ 1,111,491
Penalties, Interest and Other	6,055	-	796	-	-	6,851
Tax-related Income						
Tuition and fees	16,800	-	-	-	-	16,800
Investment Income	21,647	8	1,135	6,348	380	29,518
Gifts and Bequests	29,563	160	-	3,045	-	32,768
Food Sales	-	53,018	-	-	-	53,018
Co-curricular Student Activities	48,822	-	-	-	-	48,822
Student Group Fundraising	-	-	-	-	147,037	147,037
Activities						
Other	6,910	8,211	-	-	-	15,121
Total	<u>\$1,092,506</u>	<u>\$ 61,397</u>	<u>\$ 150,713</u>	<u>\$ 9,393</u>	<u>\$ 147,417</u>	<u>\$1,461,426</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

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, 2019 to August 31, 2020.

Parish Lease Agreement	\$ 1,000
Multi-Peril Insurance	<u>22,015</u>
Total	<u>\$ 23,015</u>

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, 2020 as follows:

Committed for replacement of field turf and school safety	\$ 700,000
Committed for bus, suburban 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 10.47% 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>\$49,803</u>	<u>\$ 57,852</u>
Expenditures:	<u>\$53,131</u>	<u>\$ 57,852</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2020

U. SUBSEQUENT EVENTS

The District's management has evaluated the impact of all subsequent events through November 16, 2020, the date which the financial statements were available for issue, and has determined that the following subsequent event requires disclosure in the financial statements.

Subsequent to year end, at a meeting held on September 14, 2020, the District's board approved a Bond Order to refinance the District's Series 2011 bonds (the "Prior Bonds") to generate economic savings. On October 29, 2020 the District sold \$1,589,999.50 of refunding bonds (the "New Bonds") to refinance the Prior Bonds in the principal amount of \$1,590,000. Closing for the New Bonds occurred on November 24, 2020 and resulted in gross economic savings of \$129,949.90 and net present value savings of 7.12% or \$113,225.41.

As a result of the spread of Covid-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial statements of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

V. RELATED ORGANIZATIONS

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

W. PRIOR PERIOD ADJUSTMENT

The District implemented GASB Statement No. 84, Fiduciary Activities in the current fiscal year. The objective of the Statement was to make fiduciary activity reporting more consistent and comparable and assess the accountability of governments in their roles as fiduciaries through improved usefulness of fiduciary activity information. This statement impacts the District first in that some student activity funds are reclassified to special revenue funds. Secondly, the District was required to report Custodial (formerly Agency) Fund assets and liabilities and any difference of assets and liabilities as net position on the statement of fiduciary net position and additions and deductions on the statement of changes in fiduciary net position. As a result of implementing this statement, prior period adjustments were reflected to account retroactively for the accumulated net position of the Custodial Funds of \$133,540 for the District.

**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, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 970,327	\$ 1,062,933	\$ 1,092,506	\$ 29,573
5800 State Program Revenues	3,995,731	4,060,185	3,985,722	(74,463)
5900 Federal Program Revenues	25,000	62,760	62,760	-
5020 Total Revenues	4,991,058	5,185,878	5,140,988	(44,890)
EXPENDITURES:				
Current:				
0011 Instruction	2,820,609	2,826,609	2,695,613	130,996
0012 Instructional Resources and Media Services	47,296	49,296	40,976	8,320
0013 Curriculum and Instructional Staff Development	9,473	9,473	6,492	2,981
0023 School Leadership	277,755	281,755	275,529	6,226
0031 Guidance, Counseling, and Evaluation Services	59,462	62,462	57,025	5,437
0033 Health Services	69,594	77,094	73,438	3,656
0034 Student (Pupil) Transportation	228,739	260,739	143,851	116,888
0035 Food Services	-	-	9,020	(9,020)
0036 Extracurricular Activities	361,916	361,916	302,452	59,464
0041 General Administration	346,217	359,217	334,628	24,589
0051 Facilities Maintenance and Operations	582,973	660,473	584,763	75,710
0052 Security and Monitoring Services	8,794	8,794	4,503	4,291
0053 Data Processing Services	5,000	5,000	-	5,000
0061 Community Services	350	350	-	350
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	49,803	49,803	53,132	(3,329)
0099 Other Intergovernmental Charges	36,000	38,500	25,441	13,059
6030 Total Expenditures	4,903,981	5,051,481	4,606,863	444,618
1100 Excess of Revenues Over Expenditures	87,077	134,397	534,125	399,728
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(87,077)	(87,077)	(65,512)	21,565
1200 Net Change in Fund Balances	-	47,320	468,613	421,293
0100 Fund Balance - September 1 (Beginning)	2,981,289	3,981,289	3,981,289	-
3000 Fund Balance - August 31 (Ending)	\$ 2,981,289	\$ 4,028,609	\$ 4,449,902	\$ 421,293

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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.001773282%	0.001798829%	0.001692766%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 921,807	\$ 990,119	\$ 541,255
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	2,311,054	2,632,787	1,515,332
Total	<u>\$ 3,232,861</u>	<u>\$ 3,622,906</u>	<u>\$ 2,056,587</u>
District's Covered Payroll	\$ 2,726,346	\$ 2,754,798	\$ 2,570,812
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	33.81%	35.94%	21.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

Note: GASB Codification, Vol. 2, P20.183 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, 2019 for year 2020, 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 year 2015.

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.

<hr/>		
FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
<hr/>		
0.0018287%	0.0018586%	0.0009372%
\$ 691,045	\$ 656,990	\$ 250,339
1,869,674	1,884,946	1,622,061
<hr/> \$ 2,560,719	<hr/> \$ 2,541,936	<hr/> \$ 1,872,400
<hr/>		
\$ 2,607,810	\$ 2,590,818	\$ 2,585,362
26.50%	25.36%	9.68%
78.00%	78.43%	83.25%

WINDTHORST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 76,351	\$ 62,067	\$ 60,607
Contribution in Relation to the Contractually Required Contribution	(76,351)	(62,067)	(60,607)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,078,288	\$ 2,726,346	\$ 2,754,798
Contributions as a Percentage of Covered Payroll	2.48%	2.28%	2.20%

Note: GASB Codification, Vol. 2, P20.183 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.

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.

<hr/>			
	2017	2016	2015
	<hr/>		
\$	55,479	\$ 75,513	\$ 54,620
	(55,479)	(75,513)	(54,620)
	<hr/>		
\$	-	\$ -	\$ -
	<hr/>		
\$	2,570,812	\$ 2,607,810	\$ 2,590,818
	2.16%	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, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.003039636%	0.003132098%	0.002686224%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,437,481	\$ 1,563,885	\$ 1,247,456
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,910,091	2,428,545	2,074,062
Total	<u>\$ 3,347,572</u>	<u>\$ 3,992,430</u>	<u>\$ 3,321,518</u>
District's Covered Payroll	\$ 2,726,346	\$ 2,754,798	\$ 2,570,812
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	52.73%	56.77%	48.52%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	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 2020 are for the measurement date of August 31, 2019. The amounts 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 2020

	2020	2019	2018
Contractually Required Contribution	\$ 24,165	\$ 21,573	\$ 21,607
Contribution in Relation to the Contractually Required Contribution	(24,165)	(21,573)	(21,607)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,078,288	\$ 2,726,346	\$ 2,754,798
Contributions as a Percentage of Covered Payroll	0.79%	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, 2020

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

There were no changes of benefit terms that affected the measurement of the Total Pension liability during the measurement period.

Changes of Assumptions.

There were no changes in the actuarial assumptions used in the determination of the Total Pension liability during the measurement period.

The single discount rate was a blended rate of 6.907% as of August 31, 2018 and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.

With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefits.

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

Changes in Assumptions.

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

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

COMBINING AND OTHER SCHEDULES

WINDTHORST INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes		211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ (485)	\$ -
1220	Property Taxes - Delinquent	-	-	-
1230	Allowance for Uncollectible Taxes	-	-	-
1240	Due from Other Governments	2,905	5,947	692
1410	Prepayments	-	498	-
1000	Total Assets	<u>\$ 2,905</u>	<u>\$ 5,960</u>	<u>\$ 692</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ 5,827	\$ -
2160	Accrued Wages Payable	2,620	-	624
2200	Accrued Expenditures	285	133	68
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	<u>2,905</u>	<u>5,960</u>	<u>692</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
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>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,905</u>	<u>\$ 5,960</u>	<u>\$ 692</u>

266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	288 Title IV Part A Subpart 1	410 State Instructional Materials	428 School Safety and Security Grant	429 Math Achievement Stipends	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ (18,298)	\$ -	\$ -	\$ (26,834)	\$ -	\$ 322	\$ 3,856	\$ (41,439)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
18,298	2,631	745	26,834	-	-	-	58,052
-	-	-	-	-	-	-	498
<u>\$ -</u>	<u>\$ 2,631</u>	<u>\$ 745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322</u>	<u>\$ 3,856</u>	<u>\$ 17,111</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,827
-	2,374	672	-	-	-	-	6,290
-	257	73	-	-	-	-	816
-	-	-	-	-	322	-	322
<u>-</u>	<u>2,631</u>	<u>745</u>	<u>-</u>	<u>-</u>	<u>322</u>	<u>-</u>	<u>13,255</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,856	3,856
-	-	-	-	-	-	3,856	3,856
<u>\$ -</u>	<u>\$ 2,631</u>	<u>\$ 745</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 322</u>	<u>\$ 3,856</u>	<u>\$ 17,111</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2020

Data Control Codes		599 Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
1110	Cash and Cash Equivalents	\$ 172,659	\$ 131,220
1220	Property Taxes - Delinquent	4,309	4,309
1230	Allowance for Uncollectible Taxes	(460)	(460)
1240	Due from Other Governments	-	58,052
1410	Prepayments	-	498
1000	Total Assets	<u>\$ 176,508</u>	<u>\$ 193,619</u>
LIABILITIES			
2110	Accounts Payable	\$ -	\$ 5,827
2160	Accrued Wages Payable	-	6,290
2200	Accrued Expenditures	-	816
2300	Unearned Revenue	599	921
2000	Total Liabilities	<u>599</u>	<u>13,854</u>
DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	3,849	3,849
2600	Total Deferred Inflows of Resources	<u>3,849</u>	<u>3,849</u>
FUND BALANCES			
Restricted Fund Balance:			
3480	Retirement of Long-Term Debt	172,060	172,060
Assigned Fund Balance:			
3590	Other Assigned Fund Balance	-	3,856
3000	Total Fund Balances	<u>172,060</u>	<u>175,916</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 176,508</u>	<u>\$ 193,619</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ 53,018	\$ -
5800 State Program Revenues	-	896	-
5900 Federal Program Revenues	29,222	80,064	7,777
5020 Total Revenues	29,222	133,978	7,777
EXPENDITURES:			
Current:			
0011 Instruction	29,222	-	7,777
0035 Food Services	-	199,490	-
0052 Security and Monitoring Services	-	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	-	-
0072 Interest on Long-Term Debt	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-
6030 Total Expenditures	29,222	199,490	7,777
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(65,512)	-
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	65,512	-
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -

266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	288 Title IV Part A Subpart 1	410 State Instructional Materials	428 School Safety and Security Grant	429 Math Achievement Stipends	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,379	\$ 61,397
-	-	-	58,920	25,000	728	-	85,544
22,873	37,993	10,065	-	-	-	-	187,994
22,873	37,993	10,065	58,920	25,000	728	8,379	334,935
22,873	37,993	10,065	58,920	-	728	11,183	178,761
-	-	-	-	-	-	-	199,490
-	-	-	-	25,000	-	-	25,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
22,873	37,993	10,065	58,920	25,000	728	11,183	403,251
-	-	-	-	-	-	(2,804)	(68,316)
-	-	-	-	-	-	-	65,512
-	-	-	-	-	-	(2,804)	(2,804)
-	-	-	-	-	-	6,660	6,660
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,856	\$ 3,856

WINDTHORST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	599 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 150,713	\$ 212,110
5800 State Program Revenues	61,882	147,426
5900 Federal Program Revenues	-	187,994
5020 Total Revenues	212,595	547,530
EXPENDITURES:		
Current:		
0011 Instruction	-	178,761
0035 Food Services	-	199,490
0052 Security and Monitoring Services	-	25,000
Debt Service:		
0071 Principal on Long-Term Debt	110,000	110,000
0072 Interest on Long-Term Debt	65,750	65,750
0073 Bond Issuance Cost and Fees	400	400
6030 Total Expenditures	176,150	579,401
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	36,445	(31,871)
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	-	65,512
1200 Net Change in Fund Balance	36,445	33,641
0100 Fund Balance - September 1 (Beginning)	135,615	142,275
3000 Fund Balance - August 31 (Ending)	\$ 172,060	\$ 175,916

WINDTHORST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2020

	816 George Beaman Scholarship	817 Monte Schenk Endowment	818 Les Conrady Scholarship	819 Paul & Mary Schenk Scholarship
ASSETS				
Restricted Assets	\$ 27,533	\$ 26,429	\$ 36,373	\$ 18,449
Total Assets	<u>27,533</u>	<u>26,429</u>	<u>36,373</u>	<u>18,449</u>
NET POSITION				
Restricted for Scholarships	27,533	26,429	36,373	18,449
Total Net Position	<u>\$ 27,533</u>	<u>\$ 26,429</u>	<u>\$ 36,373</u>	<u>\$ 18,449</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	\$ 78,587	\$ 380	\$ 36,595	\$ 225,346
<u>1,000</u>	<u>78,587</u>	<u>380</u>	<u>36,595</u>	<u>225,346</u>
1,000	78,587	380	36,595	225,346
<u>\$ 1,000</u>	<u>\$ 78,587</u>	<u>\$ 380</u>	<u>\$ 36,595</u>	<u>\$ 225,346</u>

WINDTHORST INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2020

	816 George Beaman Scholarship	817 Monte Schenk Endowment	818 Les Conrady Scholarship	819 Paul & Mary Schenk Scholarship
ADDITIONS:				
Earnings from Temporary Deposits	\$ 794	\$ 1,058	\$ 1,123	\$ 2,794
Contributions, Gifts and Donations	80	-	1,000	700
Total Additions	<u>874</u>	<u>1,058</u>	<u>2,123</u>	<u>3,494</u>
DEDUCTIONS:				
Other Deductions	-	900	500	600
Total Deductions	<u>-</u>	<u>900</u>	<u>500</u>	<u>600</u>
Change in Net Position	874	158	1,623	2,894
Net Position - September 1 (Beginning)	<u>26,659</u>	<u>26,271</u>	<u>34,750</u>	<u>15,555</u>
Net Position - August 31 (Ending)	<u>\$ 27,533</u>	<u>\$ 26,429</u>	<u>\$ 36,373</u>	<u>\$ 18,449</u>

820 Top Of Texas Scholarship	823 Michelle Cannedy Scholarship	824 Ray Schreiber Scholarship	825 Connie Steinberger Scholarship	Total Private Purpose Trust Funds
\$ -	\$ 558	\$ 11	\$ 10	\$ 6,348
500	100	115	550	3,045
500	658	126	560	9,393
500	2,000	-	1,000	5,500
500	2,000	-	1,000	5,500
-	(1,342)	126	(440)	3,893
1,000	79,929	254	37,035	221,453
\$ 1,000	\$ 78,587	\$ 380	\$ 36,595	\$ 225,346

REQUIRED T.E.A. SCHEDULES

WINDTHORST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2020

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ Various
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	1.170000	0.130000	89,711,077
2020 (School year under audit)	1.068350	0.160000	91,608,972
1000 TOTALS			

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 21	\$ -	\$ -	\$ -	\$ (21)	\$ -
39	-	-	-	-	39
125	-	-	-	-	125
124	-	-	-	-	124
545	-	72	7	-	466
573	-	6	1	-	566
3,796	-	673	70	-	3,054
6,244	-	1,471	152	-	4,621
15,780	-	3,638	404	-	11,737
-	1,125,233	955,096	147,958	(4,517)	17,662
<u>\$ 27,248</u>	<u>\$ 1,125,233</u>	<u>\$ 960,956</u>	<u>\$ 148,592</u>	<u>\$ (4,538)</u>	<u>\$ 38,395</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, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 70,000	\$ 70,000	\$ 53,018	\$ (16,982)
5800 State Program Revenues	1,000	1,000	896	(104)
5900 Federal Program Revenues	83,000	83,000	80,064	(2,936)
5020 Total Revenues	154,000	154,000	133,978	(20,022)
EXPENDITURES:				
Current:				
0035 Food Services	241,077	241,077	199,490	41,587
6030 Total Expenditures	241,077	241,077	199,490	41,587
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(87,077)	(87,077)	(65,512)	21,565
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	87,077	87,077	65,512	(21,565)
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

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, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 141,089	\$ 150,695	\$ 150,713	\$ 18
5800 State Program Revenues	35,061	72,643	61,882	(10,761)
5020 Total Revenues	176,150	223,338	212,595	(10,743)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	176,150	110,000	110,000	-
0072 Interest on Long-Term Debt	-	65,750	65,750	-
0073 Bond Issuance Cost and Fees	-	400	400	-
6030 Total Expenditures	176,150	176,150	176,150	-
1200 Net Change in Fund Balances	-	47,188	36,445	(10,743)
0100 Fund Balance - September 1 (Beginning)	135,615	135,615	135,615	-
3000 Fund Balance - August 31 (Ending)	\$ 135,615	\$ 182,803	\$ 172,060	\$ (10,743)

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

FREEMON, SHAPARD & STORY

Certified Public Accountants

Independent Auditors' 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*

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, 2020, 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 November 16, 2020.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-1.

Windthorst Independent School District's Response to Findings

Windthorst Independent School District's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. Windthorst Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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

November 16, 2020

WINDTHORST INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

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, 2020.
- 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*:

Finding 2020-1

Criteria

The budget should be amended as required in advance of funds being spent for all functional level categories each year.

Condition

The District's expenditures exceeded the final amended budget for the year in two functional categories as per Exhibit G-1.

Effect

The District's expenditures exceeded the final amended budget in two functional categories as stated above without board approval.

Cause

The District went over budget in two functional categories primarily due to year-end adjustments, although these variances were not material.

Recommendation

The budget should be amended as required in advance of funds being spent for all functional level categories each year including potential year-end adjustments.

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, 2020.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

The prior year audit disclosed no audit findings.

WINDTHORST INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

<u>Finding Number</u>	<u>Contact Person</u>	<u>Corrective Action Plan</u>	<u>Anticipated Date Corrected</u>
2020-1	Lonnie Hise Phone Number: (940)423-6688	The District will continue to monitor the budget closely and approve required amendments, anticipating any year-end adjustments in advance of funds being spent.	2020-2021 Fiscal Year

SCHOOLS FIRST QUESTIONNAIRE

Windthorst Independent School District

Fiscal Year 2020

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	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? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	\$ 0.00