

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

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

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CERTIFICATE OF BOARD

Whitehouse Independent School District
Name of School District

Smith
County

212-906
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, 2019 at a meeting of the Board of Trustees of such school district on the 13th day of January, 2020.

(s) Holly Conaway
Signature of Board Secretary

(s) Greg Hood
Signature of Board President

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

FINANCIAL SECTION



SQUYRES, JOHNSON, SQUYRES

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Whitehouse Independent School District
104 Hwy 110 N
Whitehouse, Texas 75791

Members of the Board:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, each major fund, and aggregate remaining fund information of the District as of August 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 6 through 13 and Exhibits G-1 to G-4 on pages 60 to 65 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 District's basic financial statements. The TEA Required Schedules: Exhibits J-1, J-2 and J-3, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulation*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The TEA Required Schedules and the schedule of expenditures of federal awards (SEFA) 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 TEA Required Schedules and SEFA 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 January 13, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 the District's internal control over financial reporting and compliance.


Certified Public Accountants

Tyler, Texas
January 13, 2020

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The District's net position as of 8-31-2019 was (\$17,689,250) due in large part to the recognition of a net pension liability and net other post-employment benefit (OPEB) liability. These liabilities represent the District's allocated share of the state's liability for TRS pension and TRS Care insurance.
- During the year, the District had general fund expenditures of \$37.82 million and revenues of \$39.57 million for a net excess of \$1.75 million.
- The General Fund ended the year with a fund balance of \$10.19 million.

USING THIS ANNUAL REPORT

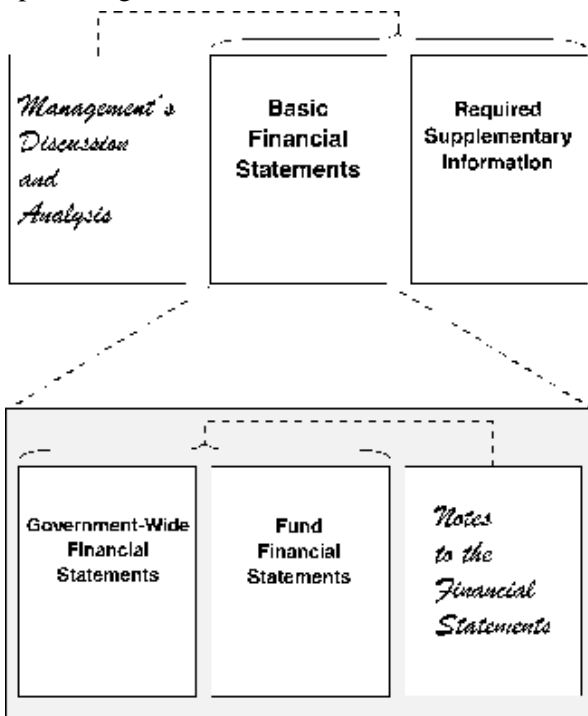
This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property 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.

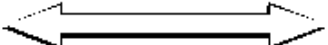
Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell

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. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District and how the revenues covered the expenses of the goods or services. The 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.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled TEA Required Schedules 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.



Summary  Detail

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities – Government-Wide Financial Statements

These statements are designed to provide readers with a broad overview of the District's finances. The Statement of Net Position includes all the District's assets, liabilities, and deferred outflows and inflows of resources 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 statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the District and grants provided by various sources to assist certain segments of children (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 it. The District's net position (the difference between assets/deferred outflows and liabilities/deferred inflows) provides one measure of the District's financial health. 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 non-financial 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.

The District only has governmental activities to report in the government wide financial statements. The District has no business-type activities and no component units for which it is financially accountable.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds and the District's administration establishes other funds to help it control and manage money for particular purposes. The District's two fund types—governmental and proprietary—use different 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.

- Proprietary funds—The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs. The proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The District has no enterprise funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities, scholarship programs, and conditional donations. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position. We exclude these resources from the District's other financial statements because the District can only use these assets for restricted purposes. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative government-wide financial information serves as a useful indicator of the government's financial position. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities. The District has no business-type activities.

Net Position

Table I shows the comparative Net Position of Whitehouse ISD as of August 31, 2019 and August 31, 2018. Net Position of the District's governmental activities is (\$17,689,250), a decrease of 15%. This reduction to Net Position reflects the impact of GASB Statements 68 and 75 which require the District to recognize their share of a net pension liability from TRS and a net other post-employment benefit (OPEB) liability from the TRS Care insurance program. Both liabilities increased this year due to actuarial estimates. The requirements of GASB 68 and 75 have not changed the financial stability of the District but simply reflect a change in the way that existing liabilities are accounted for by shifting the reporting of these liabilities from the state's financials to the District's financials. Of the Net Position amount, (\$3,735,486) is net investment in capital assets. The decrease in the net investment in capital assets category is due to the impact of the timing of scheduled debt payments and the capitalization and subsequent timing of the expensing of assets funded through bonded debt. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. The resources to repay the related debt are acquired through taxes. The restricted asset balance of \$2,038,669 represents amounts in the debt service, state grants, and school nutrition accounts that are legally restricted for specific purposes. During the year these amounts increased due to an increase in amounts set aside within the Debt Service Fund to be used for the future retirement of bonded debt. Unrestricted net position totaled (\$15,992,433) at August 31, 2019 compared to (\$14,993,810) at August 31, 2018. This difference reflects the impact of GASB 68 and 75 mentioned earlier. These assets represent resources available for future operations, long-term commitments and emergencies of the District. A negative total net position is a common occurrence in school districts due to the recognition of GASB 68 and 75 mentioned previously.

Table I
NET POSITION
Governmental Activities

	<u>2019</u>		<u>2018</u>	<u>% Change</u>
Current and Other Assets	\$ 20,743,209	\$	35,361,618	-41%
Capital Assets	110,435,369		104,222,329	6%
Deferred Outflows of Resources	9,699,153		3,633,218	167%
Total Assets/Deferred Outflows of Resources	\$ 140,877,731	\$	143,217,165	-2%
Long-term Liabilities	\$ 145,830,231	\$	140,740,120	4%
Other Liabilities	6,889,222		11,231,335	-39%
Deferred Inflows of Resources	5,847,528		6,694,533	-13%
Total Liabilities/Deferred Inflows of Resources	\$ 158,566,981	\$	158,665,988	0%
Net Investment in Capital Assets	\$ (3,735,486)	\$	(2,347,274)	59%
Restricted	2,038,669		1,892,261	8%
Unrestricted	(15,992,433)		(14,993,810)	7%
Total Net Position	\$ (17,689,250)	\$	(15,448,823)	15%

Changes in Net Position

Table II presents a comparative summary of the revenues, expenses, and changes in net position for the year ended August 31, 2019 and August 31, 2018.

Table II
CHANGES IN NET POSITION
Governmental Funds

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,225,070	\$ 1,155,348	6%
Operating grants and contributions	6,926,531	(2,001,505)	-446%
General revenues:			
Maintenance and operations taxes	21,712,588	20,204,230	7%
Debt service taxes	7,235,422	7,246,334	0%
State aid-formula grants	14,882,614	12,944,234	15%
Grants and contributions not restricted to specific functions	360,991	314,243	15%
Investment earnings	502,299	942,436	-47%
Miscellaneous local and intermediate revenue and special items	243,950	259,220	-6%
Total Revenue	<u>\$ 53,089,465</u>	<u>\$ 41,064,540</u>	<u>29%</u>
Expenses:			
Instruction, curriculum and media services	\$ 28,955,753	\$ 18,272,072	58%
Instructional and school leadership	3,348,541	2,101,180	59%
Student support services	3,758,064	2,394,669	57%
Child nutrition	2,512,872	1,754,760	43%
Cocurricular activities	2,797,649	2,418,466	16%
General Administration	1,993,272	1,225,105	63%
Plant maintenance, security & data processing	6,848,893	8,128,390	-16%
Community services	20,210	21,570	-6%
Debt service	4,139,282	5,238,390	-21%
Capital Outlay	432,641	2,040,975	-79%
Payments to member districts	110,358	115,789	-5%
Other intergovernmental charges	412,357	353,370	17%
Total Expenses	<u>\$ 55,329,892</u>	<u>\$ 44,064,736</u>	<u>26%</u>
Current year increase/(decrease) in net position	\$ (2,240,427)	\$ (3,000,196)	
Recognition of GASB 75 (Adjustments for OPEB) from prior period	<u>-</u>	<u>(23,166,069)</u>	
Increase/(Decrease) in net position	\$ (2,240,427)	\$ (26,166,265)	

The main sources of revenue for the District are property taxes and state funds. Property taxes for the general operations and debt service operations represent 54.5% of the government wide resources. The percentage of total funding provided by property taxes decreased by 12.3% from 66.8% in 2017-18 to 54.5% in 2018-19. This percentage decrease was due to an increase in state revenue and operating grants and contributions. Operating grants and contributions reflected a negative balance for 2017-18 due to the recording of the accrual for the District's proportionate share of on-behalf for the state as required by GASB 68 and 75. Additional information on this reporting is available in the notes to the financial statements for 2017-18. The state revenue increase reflects an increase in average daily attendance, one of the main drivers of the District's revenue stream. The total tax rate for 2017-18 was \$1.413 with \$1.04 for maintenance and operations and \$.373 for debt service. The total tax rate for 2018-19 was also \$1.413 with \$1.06 for maintenance and operations and \$.353 for debt service. Additional tax revenues can be attributed to an increase in local appraisals.

Operating grants and contributions increased due to GASB adjustments made in the prior year, as mentioned previously.

Investment earnings decreased substantially due to lower cash balances caused by the spend-down of bond proceeds throughout the 2018-19 year.

As shown in Table II, the cost of all governmental activities this year was \$55.3 million. This is an overall increase from the previous year due to a negative non-employer contributing entity expense in the prior year that was not duplicated in the current year. This impacted most categories of expenditures on Table II. Other factors that contributed to the increase in expenditures are employee raises and the hiring of additional personnel throughout the year to accommodate student growth. Decreases in most categories reflect a decrease in spending of bond funds in these functional areas as projects were completed in the current and previous years.

The largest expenses of the District were for instruction, curriculum and media services.

Due to the factors previously mentioned, total expenses increased by 26%.

For 2018-19 the statements reflect a decrease in net position of \$2,240,427 due to current year activity.

THE DISTRICT'S FUNDS

Governmental fund reporting focuses primarily on the sources, uses and balances of current financial resources. The general fund, capital projects fund, and debt service fund are the major funds of the District. All other governmental funds are combined in the statements. The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance use the modified accrual basis of accounting for the governmental funds of the District.

As the District completed the year, its governmental funds reported a combined fund balance of \$16.1 million, which is a decrease from last year's total of \$26.5 million. The net decrease included a decrease of \$10.9 million in the capital projects fund, a decrease in other funds of \$57,905, an increase in the debt service fund of \$207,087, and an increase in general fund of \$333,785. The general fund contains \$2.5 million in assigned fund balance for expenditures in future years. The total unassigned fund balance in the general fund is \$7.6 million. Due to estimated increases in monthly cash flows, the unassigned fund balance was decreased and more was assigned for addressing future needs of the district. The capital projects fund has \$3.7 million either restricted or committed for future bond construction projects and other locally funded projects. The remaining fund balances in the report include \$466,398 restricted for federal and state grant funds, \$1,572,271 restricted for debt service and \$169,811 committed to campus activity and other groups.

Total governmental funds expenditures for the year ended August 31, 2019 decreased to \$62.3 million due mainly to a decrease in spending of bond funds as projects were completed. Table III shows a comparison of the expenditures for the years ended August 31, 2019 and August 31, 2018.

Table III
GOVERNMENTAL FUND (MODIFIED ACCRUAL BASIS) EXPENDITURES

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Instruction, curriculum and media services	\$ 24,712,424	\$ 23,932,431	3%
Instructional and school leadership	2,878,411	2,792,930	3%
Student support services	3,451,356	3,002,552	15%
School Nutrition	2,202,971	2,043,710	8%
Cocurricular activities	1,878,422	2,021,753	-7%
General administration	1,739,095	1,677,615	4%
Plant maintenance, security & data processing	6,549,689	8,868,923	-26%
Community services	19,320	21,570	-10%
Debt service	7,203,000	7,905,940	-9%
Facilities acquisition and construction	11,115,672	62,271,068	-82%
Payments to fiscal agent	106,687	112,237	-5%
Other Intergovernmental Charges	412,357	353,370	17%
Total Expenditures	<u>\$ 62,269,404</u>	<u>\$ 115,004,099</u>	-46%

The overall change in expenditures in the governmental fund financial statements was -46% for the 2018-19 year. As mentioned previously, the district provided a salary increase for all employees for the 2018-19 year which accounts for 2% of the increase in all categories that include payroll costs.

A major difference between the expenditures as reported on Table II and Table III is the treatment of expenditures related to fixed assets and debt service. On the modified accrual basis (Table III) long-term assets show up as expenditures. When these records are converted to full accrual (Table II) these items are de-expended and capitalized as assets on the balance sheet and depreciation is recorded to expense the items over the useful life of the asset. For long-term debt, on the modified accrual basis, debt principal and interest are recorded as expenditures while on the full accrual basis the principal payments are de-expended during the conversion leaving only interest as an expenditure.

The difference in the treatment of fixed asset purchases between the two methods accounts for many of the differences between the absolute and percentage changes among the various categories on Tables II and III.

The decrease in expenditures for debt service reflects the scheduled payments to service new and refunded debt per the most updated debt schedules. A decrease in scheduled payments is unusual in the District's debt service schedule, however, this decrease was due to the spend-down of funding provided to the District during the bond funding that was paid out in the prior year. The current year and future years spending per the debt schedule is on a more normal cycle based on expected property value growth.

The facilities acquisitions section of the fund financial statement reflects the purchase of capital assets. A decrease from 2017-18 to 2018-19 in this area is reflected in Table III above. This decrease is attributed to decreased expenditures for construction related to the bond program as projects were completed. In the government wide statement these items are capitalized and depreciated as described above.

The explanation for the changes in the other categories mirror the explanations in the government wide section of the report and therefore the explanations contained in that section of this report are applicable to this section.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Trustees revised the District's budget several times. The budget was amended to:

- Budget increase in revenue from original projections to reflect the passing of a tax ratification election and increased ADA
- Reflect purchases of additional maintenance equipment and supplies
- Reflect purchases of additional supplies and travel for extracurricular activities
- Reflect additional transportation vehicle purchases
- Reflect potential additional payroll expenditures for added positions
- Transfer funds to the capital projects fund for future construction projects

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018-19 the District had \$159 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, technology, and maintenance. This amount represents a net increase of \$10.9 million. The increase includes construction of facilities along with the purchase of additional equipment.

The capital projects committed fund balance of \$3.72 million represents funds transferred from the General Fund to provide for future facilities improvements. More detailed information about the District's capital assets is presented in Section IV, Note E to the financial statements.

Debt

At year-end, the District had \$108.9 million in bonds outstanding versus \$111 million last year. Other obligations include accrued sick leave. More detailed information about the District's long-term liabilities is presented in Section IV, Notes F and G to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2019-20 budget and tax rates. The funding formula implemented by the 86th Legislature for the biennium was used for developing the 2019-20 budget. The Legislature made some sweeping changes to the funding formula including: 1) An increased basic allotment, 2) tax rate compression coupled with increased state funding to replace lost revenue, and 3) the addition of, deletion of, or changes to special funding provisions for certain categories of students.

The certified appraisal rolls as determined by Smith County Appraisal District for Whitehouse ISD indicated a 5.89% increase for the 2019-20 school year. The district assessed a maintenance and operations (M&O) rate of \$0.99 and a debt service rate of \$.335 for the 2019-20 budget. The overall tax rate dropped to \$1.325 from the 2018-19 rate of \$1.413. The average daily attendance (ADA) of the district grew by approximately 56.7 students from the 2017-18 year into 2018-19. The 2018-19 ADA was used as the basis for the 2019-20 funding estimate. The ADA of the district will be closely monitored during the 2019-20 school year and appropriate budget adjustments will be made for any increase or decrease during the year.

A budget with revenue of \$42.69 million was originally adopted for the maintenance and operations of the district for 2019-20. In order to stay competitive with the market and retain staff, a raise was budgeted for all staff. The budget was increased for the addition of instructional positions. Other additions included the budgeting of

additional fees from Smith County Appraisal District, additional technology expenditures, insurance premium increases, and a budgeted transfer to the Capital Projects fund.

House Bill 3, and other bills passed during the 86th Legislative Session, while providing additional funding, also created a need for Texas school districts to reevaluate the way we operate on all fronts. Many revisions to instructional programs, compensation plans, funding calculations, and general school operations were either encouraged or mandated during this session. With program implementation information being released on a regular basis, Whitehouse ISD administrators will continue to closely monitor the flow of information in all of these areas as it becomes available.

Every effort was made during the budget process to provide a quality education to the students of Whitehouse ISD, and ensure the education received by students is a source of pride for the staff, parents, students and community. The dedicated staff members of Whitehouse ISD strive to provide an excellent education to the students of the district by focusing on their needs and making their success our highest priority.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 Whitehouse Independent School District, 104 Hwy 110 N, Whitehouse, Texas, 75791.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 17,227,750
1220 Property Taxes - Delinquent	669,130
1230 Allowance for Uncollectible Taxes	(20,074)
1240 Due from Other Governments	2,765,842
1267 Due from Fiduciary Funds	1,712
1290 Other Receivables, Net	10,026
1410 Prepayments	88,823
Capital Assets:	
1510 Land	4,370,259
1520 Buildings, Net	104,421,131
1530 Furniture and Equipment, Net	1,643,979
1000 Total Assets	131,178,578
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	543,902
1705 Deferred Related to TRS Pension	6,833,634
1706 Deferred Related to TRS OPEB	2,321,617
1700 Total Deferred Outflows of Resources	9,699,153
LIABILITIES	
2110 Accounts Payable	769,978
2140 Interest Payable	226,809
2150 Payroll Deductions and Withholdings	265,586
2160 Accrued Wages Payable	2,044,725
2180 Due to Other Governments	4,216
2200 Accrued Expenses	174,821
2300 Unearned Revenue	56,017
Noncurrent Liabilities:	
2501 Due Within One Year	3,347,070
2502 Due in More Than One Year	117,408,430
2540 Net Pension Liability (District's Share)	12,370,101
2545 Net OPEB Liability (District's Share)	16,051,700
2000 Total Liabilities	152,719,453
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	771,594
2606 Deferred Inflow Related to TRS OPEB	5,075,934
2600 Total Deferred Inflows of Resources	5,847,528
NET POSITION	
3200 Net Investment in Capital Assets	(3,735,486)
3820 Restricted for Federal and State Programs	466,398
3850 Restricted for Debt Service	1,572,271
3900 Unrestricted	(15,992,433)
3000 Total Net Position	\$ (17,689,250)

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

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for	Operating	Primary Gov.
	Expenses	Services	Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 26,871,055	\$ 264,857	\$ 3,536,247	\$ (23,069,951)
12 Instructional Resources and Media Services	757,071	2,284	57,359	(697,428)
13 Curriculum and Instructional Staff Development	1,327,627	2,284	365,270	(960,073)
21 Instructional Leadership	398,911	-	66,019	(332,892)
23 School Leadership	2,949,630	2,597	219,708	(2,727,325)
31 Guidance, Counseling and Evaluation Services	1,971,891	60,637	515,098	(1,396,156)
33 Health Services	445,540	-	35,719	(409,821)
34 Student (Pupil) Transportation	1,340,633	1,819	84,127	(1,254,687)
35 Food Services	2,512,872	622,187	1,543,293	(347,392)
36 Extracurricular Activities	2,797,649	200,488	84,146	(2,513,015)
41 General Administration	1,993,272	1,130	122,609	(1,869,533)
51 Facilities Maintenance and Operations	5,740,225	56,679	190,776	(5,492,770)
52 Security and Monitoring Services	426,462	2,284	47,317	(376,861)
53 Data Processing Services	682,206	626	39,882	(641,698)
61 Community Services	20,210	-	18,961	(1,249)
72 Debt Service - Interest on Long-Term Debt	4,132,807	-	-	(4,132,807)
73 Debt Service - Bond Issuance Cost and Fees	6,475	-	-	(6,475)
81 Capital Outlay	432,641	7,198	-	(425,443)
93 Payments Related to Shared Services Arrangements	110,358	-	-	(110,358)
99 Other Intergovernmental Charges	412,357	-	-	(412,357)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 55,329,892	\$ 1,225,070	\$ 6,926,531	(47,178,291)

Data Control Codes			
	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		21,712,588
DT	Property Taxes, Levied for Debt Service		7,235,422
SF	State Aid - Formula Grants		14,882,614
GC	Grants and Contributions not Restricted		360,991
IE	Investment Earnings		502,299
MI	Miscellaneous Local and Intermediate Revenue		307,678
SI	Loss on Retirement of Fixed Assets:		(63,728)
TR	Total General Revenues and Special Items		44,937,864
CN	Change in Net Position		(2,240,427)
NB	Net Position - Beginning		(15,448,823)
NE	Net Position--Ending		\$ (17,689,250)

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 12,506,884	\$ 1,576,486	\$ 2,161,297
1220 Property Taxes - Delinquent	524,092	145,038	-
1230 Allowance for Uncollectible Taxes	(15,723)	(4,351)	-
1240 Due from Other Governments	2,273,430	-	-
1260 Due from Other Funds	80	-	1,650,000
1290 Other Receivables	-	-	-
1410 Prepayments	88,823	-	-
1000 Total Assets	<u>\$ 15,377,586</u>	<u>\$ 1,717,173</u>	<u>\$ 3,811,297</u>
LIABILITIES			
2110 Accounts Payable	\$ 417,974	\$ -	\$ 91,023
2150 Payroll Deductions and Withholdings Payable	253,572	-	-
2160 Accrued Wages Payable	1,860,875	-	-
2170 Due to Other Funds	2,151,301	-	-
2180 Due to Other Governments	-	4,216	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>4,683,722</u>	<u>4,216</u>	<u>91,023</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	508,369	140,686	-
2600 Total Deferred Inflows of Resources	<u>508,369</u>	<u>140,686</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	88,823	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	1,572,271	-
Committed Fund Balance:			
3510 Construction	-	-	3,720,274
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	2,531,498	-	-
3600 Unassigned Fund Balance	7,565,174	-	-
3000 Total Fund Balances	<u>10,185,495</u>	<u>1,572,271</u>	<u>3,720,274</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 15,377,586</u>	<u>\$ 1,717,173</u>	<u>\$ 3,811,297</u>

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

Other Funds	Total Governmental Funds
\$ 640,952	\$ 16,885,619
-	669,130
-	(20,074)
492,412	2,765,842
3,013	1,653,093
10,026	10,026
-	88,823
<u>\$ 1,146,403</u>	<u>\$ 22,052,459</u>
\$ 258,233	\$ 767,230
12,014	265,586
183,850	2,044,725
80	2,151,381
-	4,216
56,017	56,017
<u>510,194</u>	<u>5,289,155</u>
-	649,055
<u>-</u>	<u>649,055</u>
-	88,823
466,398	466,398
-	1,572,271
-	3,720,274
169,811	169,811
-	2,531,498
-	7,565,174
<u>636,209</u>	<u>16,114,249</u>
<u>\$ 1,146,403</u>	<u>\$ 22,052,459</u>

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds (from Exhibit C-1)	\$ 16,114,249
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	664,562
2 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 \$148,114,753 and the accumulated depreciation was \$43,892,424. 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 in the governmental activities is to increase net position.	(19,281,072)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase net position.	14,276,203
4 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 in the amount of \$12,370,101, a Deferred Resource Inflow related to TRS in the amount of \$771,594, and a Deferred Resource Outflow related to TRS in the amount of \$6,833,634. This amounted to a decrease in net position in the amount of \$6,308,061.	(6,308,061)
5 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 in the amount of 16,051,700, a Deferred Resource Inflow related to TRS in the amount of \$5,075,934, and a Deferred Resource Outflow related to TRS in the amount of \$2,321,617. This amounted to a decrease in net position in the amount of \$18,806,017.	(18,806,017)
6 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(5,003,503)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes 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 net position.	654,389
19 Net Position of Governmental Activities (see Exhibit A-1)	\$ (17,689,250)

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 22,628,932	\$ 7,346,637	\$ 122,157
5800 State Program Revenues	16,651,522	63,450	-
5900 Federal Program Revenues	285,979	-	-
5020 Total Revenues	39,566,433	7,410,087	122,157
EXPENDITURES:			
Current:			
0011 Instruction	21,206,566	-	26,210
0012 Instructional Resources and Media Services	617,948	-	1,010
0013 Curriculum and Instructional Staff Development	883,383	-	2,985
0021 Instructional Leadership	316,432	-	3,425
0023 School Leadership	2,498,398	-	13,500
0031 Guidance, Counseling and Evaluation Services	1,249,033	-	-
0033 Health Services	381,661	-	-
0034 Student (Pupil) Transportation	1,368,101	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,808,697	-	250
0041 General Administration	1,727,966	-	9,645
0051 Facilities Maintenance and Operations	4,398,000	-	1,091,223
0052 Security and Monitoring Services	359,383	-	-
0053 Data Processing Services	478,924	-	153,554
0061 Community Services	1,793	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	2,055,000	-
0072 Interest on Long-Term Debt	-	5,141,525	-
0073 Bond Issuance Cost and Fees	-	6,475	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	11,115,672
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	106,687	-	-
0099 Other Intergovernmental Charges	412,357	-	-
6030 Total Expenditures	37,815,329	7,203,000	12,417,474
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	1,751,104	207,087	(12,295,317)
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	3,648	-	-
7915 Transfers In	-	-	1,400,000
8911 Transfers Out (Use)	(1,420,967)	-	-
7080 Total Other Financing Sources (Uses)	(1,417,319)	-	1,400,000
1200 Net Change in Fund Balances	333,785	207,087	(10,895,317)
0100 Fund Balance - September 1 (Beginning)	9,851,710	1,365,184	14,615,591
3000 Fund Balance - August 31 (Ending)	\$ 10,185,495	\$ 1,572,271	\$ 3,720,274

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

		Total	
Other		Governmental	
Funds		Funds	
\$	901,221	\$	30,998,947
	548,649		17,263,621
	3,304,859		3,590,838
	4,754,729		51,853,406
	1,636,046		22,868,822
	9,742		628,700
	328,534		1,214,902
	40,457		360,314
	6,199		2,518,097
	452,396		1,701,429
	165		381,826
	-		1,368,101
	2,202,971		2,202,971
	69,475		1,878,422
	1,484		1,739,095
	-		5,489,223
	41,754		401,137
	26,851		659,329
	17,527		19,320
	-		2,055,000
	-		5,141,525
	-		6,475
	-		11,115,672
	-		106,687
	-		412,357
	4,833,601		62,269,404
	(78,872)		(10,415,998)
	-		3,648
	22,456		1,422,456
	(1,489)		(1,422,456)
	20,967		3,648
	(57,905)		(10,412,350)
	694,114		26,526,599
\$	636,209	\$	16,114,249

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds (from Exhibit C-3)	\$ (10,412,350)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position.	232,981
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 removing the 2018 capital outlays and debt principal payments is to increase net position.	14,276,203
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.	(5,003,503)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes 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 decrease net position.	12,822
Current year changes due to GASB 68 increased revenues in the amount of \$796,860 but also increased expenditures in the amount of \$1,851,301. The net effect on the change in the ending net position was a decrease in the amount of \$1,054,441.	(1,054,441)
The implementation of GASB 75 to report the District's share of the TRS OPEB plan resulted in current year increase to revenue in the amount of \$230,340 but also increased expenditures in the amount of \$522,479. The net effect from the implementation of GASB 75 on the change in ending net position was a decrease in the amount of \$292,139.	(292,139)
Change in Net Position of Governmental Activities (see Exhibit B-1)	\$ (2,240,427)

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

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 21,858,387	\$ 22,605,387	\$ 22,628,932	\$ 23,545
5800 State Program Revenues	14,775,849	16,648,849	16,651,522	2,673
5900 Federal Program Revenues	360,000	288,000	285,979	(2,021)
5020 Total Revenues	36,994,236	39,542,236	39,566,433	24,197
EXPENDITURES:				
Current:				
0011 Instruction	20,805,927	21,230,927	21,206,566	24,361
0012 Instructional Resources and Media Services	643,462	630,462	617,948	12,514
0013 Curriculum and Instructional Staff Development	875,170	905,170	883,383	21,787
0021 Instructional Leadership	330,098	325,098	316,432	8,666
0023 School Leadership	2,473,698	2,512,698	2,498,398	14,300
0031 Guidance, Counseling and Evaluation Services	1,340,205	1,280,205	1,249,033	31,172
0032 Social Work Services	700	700	-	700
0033 Health Services	386,152	392,152	381,661	10,491
0034 Student (Pupil) Transportation	1,251,796	1,386,796	1,368,101	18,695
0036 Extracurricular Activities	1,818,861	1,843,861	1,808,697	35,164
0041 General Administration	1,730,144	1,745,144	1,727,966	17,178
0051 Facilities Maintenance and Operations	3,958,762	4,448,762	4,398,000	50,762
0052 Security and Monitoring Services	396,884	383,884	359,383	24,501
0053 Data Processing Services	437,115	501,115	478,924	22,191
0061 Community Services	1,476	8,476	1,793	6,683
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	108,786	108,786	106,687	2,099
0099 Other Intergovernmental Charges	415,000	415,000	412,357	2,643
6030 Total Expenditures	36,974,236	38,119,236	37,815,329	303,907
1100 Excess of Revenues Over Expenditures	20,000	1,423,000	1,751,104	328,104
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	3,000	3,648	648
8911 Transfers Out (Use)	(20,000)	(1,426,000)	(1,420,967)	5,033
7080 Total Other Financing Sources (Uses)	(20,000)	(1,423,000)	(1,417,319)	5,681
1200 Net Change in Fund Balances	-	-	333,785	333,785
0100 Fund Balance - September 1 (Beginning)	9,851,710	9,851,710	9,851,710	-
3000 Fund Balance - August 31 (Ending)	\$ 9,851,710	\$ 9,851,710	\$ 10,185,495	\$ 333,785

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

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2019

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 342,131
Due from Other Funds	<u>500,000</u>
Total Assets	<u>842,131</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	2,748
Accrued Expenses	<u>174,821</u>
Total Liabilities	<u>177,569</u>
NET POSITION	
Unrestricted Net Position	<u>664,562</u>
Total Net Position	<u><u>\$ 664,562</u></u>

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

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	Governmental Activities -
	Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 358,746
Total Operating Revenues	358,746
OPERATING EXPENSES:	
Professional and Contracted Services	125,765
Total Operating Expenses	125,765
Operating Income	232,981
Total Net Position - September 1 (Beginning)	431,581
Total Net Position - August 31 (Ending)	\$ 664,562

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

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 55,856
Cash Payments for Other Operating Expenses	(205,164)
Net Cash Used for Operating Activities	<u>(149,308)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>2,890</u>
Net Decrease in Cash and Cash Equivalents	(146,418)
Cash and Cash Equivalents at Beginning of Year	<u>488,549</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 342,131</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 232,981
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Due from Other Funds	(300,000)
Increase (decrease) in Accounts Payable	1,010
Increase (decrease) in Accrued Wages Payable	(80,409)
Less Interest Income	<u>(2,890)</u>
Net Cash Used for Operating Activities	<u><u>\$ (149,308)</u></u>

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

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

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 166,523
Restricted Assets	105,437	-
Total Assets	<u>105,437</u>	<u>\$ 166,523</u>
LIABILITIES		
Accounts Payable	3,200	\$ 15,860
Payroll Deductions and Withholdings Payable	283	-
Accrued Wages Payable	5,035	-
Due to Other Funds	-	1,712
Due to Student Groups	-	148,951
Total Liabilities	<u>8,518</u>	<u>\$ 166,523</u>
NET POSITION		
Unrestricted Net Position	<u>96,919</u>	
Total Net Position	<u>\$ 96,919</u>	

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

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

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 201,826
Total Additions	<u>201,826</u>
DEDUCTIONS:	
Payroll Costs	30,537
Professional and Contracted Services	6,400
Supplies and Materials	75,729
Other Operating Costs	800
Total Deductions	<u>113,466</u>
Change in Net Position	88,360
 Total Net Position - September 1 (Beginning)	 <u>8,559</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 96,919</u></u>

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Whitehouse 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) in the United States of America 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 (OPEB): 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.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires state and local governments to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. Whitehouse Independent School District has no such agreements.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, and there are no component units included within the reporting entity. The combined financial statements of the District include all activities for which the Board exercises these governance responsibilities.

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 Whitehouse 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.

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
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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 and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental funds and internal service 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 Net Position.

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 non-operating 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 non-operating. 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 non-operating.

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 proprietary fund and 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, deferred inflows of resources, 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.

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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.

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District’s primary operating fund. This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
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. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Funds** – These governmental funds are established to account for proceeds from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

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. The Food Service Fund is the only required budgeted fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
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The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures required in excess of NSLP and user fees, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

2. **Permanent Funds** – The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

1. **Enterprise Funds** – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise funds.
2. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District utilizes internal service funds to account for its health and workers' compensation self-insurance plans.

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 Fund is the Scholarship Fund.
2. **Pension (and Other Employee Benefit) Trust Funds** – These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District has no Pension Trust Funds.
3. **Investment Trust Fund** - This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no Investment Trust Funds.
4. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the Student Activity Funds for each campus.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. The District does not maintain inventories of supplies, and therefore, reports all supplies on the purchase basis. Supplies are recorded as expenditures when they are purchased. Inventory of supplies at year end is not material.
3. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. 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.

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
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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 that non-calendar days are to be taken within the same year they are earned, and any unused days in excess of ten at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying government-wide financial statements. Sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds for amounts that meet District policy.
5. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the governmental column 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.

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

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	30
Portable Buildings	15
Buses	10
Other Vehicles	5
Other Equipment	7
Computer Equipment	5

Land and Construction in Progress are not depreciated.

6. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.
7. In the fund financial statements, governmental funds report fund balances in the following classifications:
 - a. *Nonspendable fund balance* – amounts that are not in spendable form, such as fund balances associated with inventories, prepaids, and long-term loans and notes receivable.
 - b. *Restricted fund balance* – amounts that can be spent only for the specific purposes stipulated by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or enabling legislation.
 - c. *Committed fund balance* – amounts that can only be used for the specific purposes determined by a formal action of the District's Board of Trustees (the District's highest level of decision-making authority). These amounts cannot be used for any other purpose unless the District's Board of Trustees takes the same level of action to remove or change the constraint.

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- d. *Assigned fund balance* – amounts intended to be used by the government for a specific purpose but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the District’s Board of Trustees or by the Superintendent or Chief Financial Officer, to whom the Board of Trustees has delegated the authority to assign fund balances.
 - e. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.
8. The District is self-insured for Worker’s Compensation. The plan is established pursuant to Texas Labor Code Annotated Ch. 504.
9. When the District incurs an expense for which it may use assets available in more than one classification, the District uses restricted assets first, followed by committed, assigned and finally unassigned, unless unassigned assets will have to be returned because they were not used.
10. Management’s use of estimates in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
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 has deferred outflows of resources, for its proportionate share of TRS’s deferred outflow related to pensions as described in Note IV H and for deferred charges for bond refunding.
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 has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes and for its proportionate share of the Teacher Retirement System of Texas’ (TRS) deferred inflow related to pensions as described in Note IV H and related to OPEB as described in Note IV I. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
13. 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 Statewide database for policy development and funding plans.

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
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II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Exhibit C-2 provides a reconciliation between the 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.

The first item on the reconciliation explains that the “assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.” The details are as follows:

Cash and Cash Equivalents	\$ 342,131
Due from Other Funds	500,000
Accounts Payable	(2,748)
Accrued Expenses	(174,821)
Net Effect on Net Position	<u>\$ 664,562</u>

The second item on the reconciliation describes the effect on net position of “including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities.” The details are as follows:

Beginning Capital Assets, Net of Depreciation	\$ 104,222,329
Beginning Long-Term Debt	(110,550,866)
Beginning Net Amortized Bond Discount	(12,721,668)
Beginning Accrued Interest Payable	(230,867)
Net Effect on Net Position	<u>\$ (19,281,072)</u>

The reconciliation explains the current year effect on net position as “including the 2017 capital outlays and debt transactions.” The details of this effect are as follows:

Current Year payments on General Obligation Bonds	\$ 2,055,000
Current Year Capital Outlay for Furniture & Equipment	11,283,919
Current Year Loss on Disposal of Assets	(67,376)
Amortization of Deferred Loss	(54,699)
Amortization of Bond Premium/Discount	1,059,359
Net Effect on Net Position	<u>\$ 14,276,203</u>

The last item in the reconciliation describes the effect on net position of recognizing unearned and unavailable revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The effect on net position is as follows:

Recognize Current Year Tax Unavailable Revenue as Revenue	\$ 272,216
Recognize Delinquent Tax Unavailable Revenue as Revenue	376,840
Net Decrease in Compensated Absences	1,275
Net Change in Accrued Interest Payable	4,058
Net Effect on Net Position	<u>\$ 654,389</u>

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

Exhibit C-4 provides a reconciliation between the net changes on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the *Changes in Net Position of Governmental Activities* as reported in the Government-Wide Statement of Activities.

The second item on the reconciliation describes the current year effect on net position for “removing the 2019 capital outlays and debt principal payments.” The details of this effect are listed in II.A.

The fourth item on the reconciliation describes the effect on net assets of “recognizing unavailable revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of loans as an increase in loans payable, and recognizing the liabilities associated with maturing long-term debt and interest.” The details are as follows:

Recognize Current Year Tax Unavailable Revenue as Revenue	\$ 272,216
Remove Prior Years' Tax Collections from Revenue	(242,446)
Net Change Due to Difference Between Prior Year	
Estimation of Delinquent Taxes Collectible and	
Actual Collections	(22,281)
Net Change in Accrual of Interest Payable	4,058
Net Increase in Compensated Absences	1,275
Net Effect on Net Position	<u>\$ 12,822</u>

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 C-5 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. The following amendments were significant:

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- Budget increase in revenue from original projections to reflect passing of tax ratification election and increased ADA
 - Reflect purchases of additional maintenance equipment and supplies
 - Reflect purchases of additional supplies and travel for extracurricular activities
 - Reflect additional transportation vehicle purchases
 - Reflect potential additional payroll expenditures for added positions
 - Transfer funds to the capital projects fund for future construction projects
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. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	August 31, 2019 <u>Fund Balance</u>
Appropriated Budget Funds – Food Service Special Revenue Fund	\$ 439,704
Non-appropriated Budget Funds	<u>196,505</u>
All Special Revenue Funds	<u>\$ 636,209</u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Deposits

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 have any deposits or investments denominated in a foreign currency.

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

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over 10 Years</u>	<u>Credit Rating</u>
Cash	\$ 3,908,438	22.3%	\$ 3,908,438	\$ -	\$ -	N/A
Money Markets	1,391,015	7.9%	1,391,015	-	-	N/A
Investment Pools:						
Lone Star	<u>12,200,257</u>	<u>69.8%</u>	<u>12,200,257</u>	<u>-</u>	<u>-</u>	AAA
Total Cash and Cash Equivalents	<u>\$ 17,499,710</u>	<u>100.0%</u>	<u>\$ 17,499,710</u>	<u>\$ -</u>	<u>\$ -</u>	
Total Cash and Cash Equivalents - Primary Government			\$ 17,227,750			
Total Cash and Cash Equivalents - Fiduciary Funds			<u>271,960</u>			
Total Cash and Cash Equivalents			<u>\$ 17,499,710</u>			

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
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Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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. The District is in substantial compliance with the requirements of the Act and with local policies.

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

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to those covered by the Public Funds Investment Act. As of August 31, 2019, the District's investment in an investment pool was rated AAA by Standard & Poor's.

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

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District requires investments to be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during the 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires any internally created pool fund group of the District to have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District may not exceed one year from the time of purchase. All of the District's investments at August 31, 2019 had a maturity of one year or less.

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Foreign Currency Risk for Investments The District does not have any investments denominated in a foreign currency.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The District's investments are held in First Public Lone Star Government Overnight Fund which are classified as cash and cash equivalents as it is exempt from Fair Value Measurement under GASB 72 as it qualifies as a 2a-7 like investment pool.

B. PROPERTY TAXES

The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code on the assessed value listed as of the prior January 1 for all real estate and business personal property located in the District. Taxes are due on receipt of the tax bill and are delinquent and subject to interest if not paid before February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value of the property tax roll on July 24, 2018, upon which the levy for the 2018-2019 fiscal year was based, was \$2,175,825,810. Delinquent taxes are subject to both penalty and interest charges plus, if not paid by June 30, an added 15% delinquent collection fee for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period, however, amounts collected during the 60 day period after year-end are not considered material to the financial statements and are not reported.

The tax rates assessed for the year ended August 31, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.06 and \$0.353 per \$100 valuation, respectively, for a total of \$1.413 per \$100 valuation.

Current tax collections for the year ended August 31, 2019 were 99.03% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes 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. As of August 31, 2019, unavailable revenue, net of estimated uncollectible taxes, totaled \$508,369 and \$140,686 for the General and Debt Service Funds, respectively.

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C. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2019 consisted of the following amounts:

Due to General Fund from:	
Special Revenue Funds	\$ 80
Due to Special Revenue Funds from:	
General Fund	1,301
Trust and Agency	1,712
Due to Capital Projects Fund from:	
General Fund	1,650,000
Due to Internal Service from:	
General Fund	<u>500,000</u>
 Total	 <u>\$ 2,153,093</u>

Interfund transfers for the year ended August 31, 2019, consisted of the following individual amounts:

Transfers to Special Revenue Funds from:	
General Fund	\$ 20,967
Special Revenue Funds	<u>1,489</u>
Total Transferred to Special Revenue Funds	<u>22,456</u>
Transfers to Capital Project Fund from:	
General Fund	<u>1,400,000</u>
Total Transferred to Capital Project Fund	<u>1,400,000</u>
Total	<u>\$ 1,422,456</u>

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

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2019
were as follows:

	Property	Other	Due From		Total
	Taxes	Governments	Other Funds	Other	Receivables
Governmental Activities:					
General Fund	\$ 524,092	\$ 2,273,430	\$ 80	\$ -	\$ 2,797,602
Capital Projects Fund	-	-	1,650,000	-	1,650,000
Debt Service Fund	145,038	-	-	-	145,038
Nonmajor Governmental Fund	-	492,412	3,013	10,026	505,451
Total – Governmental Activities	\$ 669,130	\$ 2,765,842	\$ 1,653,093	\$ 10,026	\$ 5,098,091
Amounts not scheduled for collection during the subsequent year	\$ 20,074	\$ -	\$ -	\$ -	\$ 20,074
Business Type Activities:					
Internal Service Fund	\$ -	\$ -	\$ 500,000	\$ -	\$ 500,000

Payables at August 31, 2019
were as follows:

	Accounts	Salaries and Benefits	Due to Other Funds	Due to Other Gov'ts	Other	Total Payables
Governmental Activities:						
General Fund	\$ 417,974	\$ 2,114,447	\$ 2,151,301	\$ -	\$ -	\$ 4,683,722
Capital Projects Fund	91,023	-	-	-	-	91,023
Debt Service Fund	-	-	-	4,216	-	4,216
Nonmajor Governmental Fund	258,233	195,864	80	-	-	454,177
Total-Governmental Activities	\$ 767,230	\$ 2,310,311	\$ 2,151,381	\$ 4,216	\$ -	\$ 5,233,138
Business Type Activities:						
Internal Service Fund	\$ 2,748	\$ -	\$ -	\$ -	\$ -	\$ 2,748
Fiduciary Funds:						
Agency Funds	\$ 19,060	\$ 5,318	\$ 1,712	\$ -	\$ 148,951	\$ 175,041
Total Agency Funds	\$ 19,060	\$ 5,318	\$ 1,712	\$ -	\$ 148,951	\$ 175,041

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

E. CAPITAL ASSET ACTIVITY

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments & Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Assets Not Being Depreciated:				
Land	\$ 4,370,259	\$ -	\$ -	\$ 4,370,259
Construction in Progress	637,158	-	(637,158)	-
Assets with Depreciation:				
Buildings and Improvements	136,300,567	11,314,590	(159,448)	147,455,712
Furniture and Equipment	<u>6,806,769</u>	<u>606,487</u>	<u>(234,548)</u>	<u>7,178,708</u>
Totals at Historic Cost	<u>148,114,753</u>	<u>11,921,077</u>	<u>(1,031,154)</u>	<u>159,004,679</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(38,595,707)	(4,530,943)	92,072	(43,034,581)
Furniture and Equipment	<u>(5,296,717)</u>	<u>(472,560)</u>	<u>234,548</u>	<u>(5,534,729)</u>
Total Accumulated Depreciation	<u>(43,892,424)</u>	<u>(5,003,503)</u>	<u>326,620</u>	<u>(48,569,310)</u>
Governmental Activities Capital Assets, Net	<u>\$ 104,222,329</u>	<u>\$ 6,917,574</u>	<u>\$ (704,534)</u>	<u>\$ 110,435,369</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 2,578,956
Instructional Resources and Media Services	97,432
Curriculum Development and Instructional Staff Development	15,704
Instructional Leadership	7,284
School Leadership	268,446
Guidance, Counseling and Evaluation Services	119,990
Health Services	38,961
Student (Pupil) Transportation	251,817
Food Services	271,533
Cocurricular/Extracurricular Activities	854,041
General Administration	153,812
Plant Maintenance and Operations	217,918
Security and Monitoring Service	13,774
Data Processing Services	110,164
Payments to Fiscal Agent/Member Districts of Shared Service Arrangements	<u>3,671</u>
	<u>\$ 5,003,503</u>

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

F. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in general long-term debt for the year ended August 31, 2019 is as follows:

DESCRIPTION	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding 09/01/18	Retired	Outstanding 08/31/19
Unlimited Tax Refunding Bonds, Series 2016, Maturing serially through 2/15/32	3.00- 5.00%	\$25,250,000	\$1,056,175	\$ 25,155,000	\$ 1,305,000	\$ 23,850,000
Unlimited Tax School Building Bonds, Series 2017, Maturing serially through 2/15/42	3.00- 5.00%	85,800,000	4,085,350	85,800,000	750,000	85,050,000
			\$5,141,525	<u>\$110,955,000</u>	\$2,055,000	\$108,900,000
Total			<u>\$5,141,525</u>		<u>\$2,055,000</u>	<u>\$108,900,000</u>

Changes in debt-related deferred outflows of resources for the fiscal year ended August 31, 2019 were:

	Balance at August 31, 2018, <u>As Adjusted</u>	Retired/ <u>Refunded</u>	Balance at <u>August 31, 2019</u>
Deferred Loss on Defeasance of Bonds	\$ 598,601	\$ 54,699	\$ 543,902

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Debt service requirements are as follows:

Year Ended August 31,	General Obligations		Total Requirements
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 2,205,000	\$ 5,061,725	\$ 7,266,725
2021	2,380,000	4,960,750	7,340,750
2022	2,575,000	4,836,875	7,411,875
2023	2,770,000	4,714,400	7,484,400
2024	2,980,000	4,581,800	7,561,800
2025-2029	18,265,000	20,457,650	38,722,650
2030-2034	23,890,000	15,844,600	39,734,600
2035-2039	31,140,000	9,360,700	40,500,700
2040-2042	22,695,000	1,630,250	24,325,250
Total	<u>\$ 108,900,000</u>	<u>\$ 71,448,750</u>	<u>\$ 180,348,750</u>

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

A portion of the Series 2016 Refunding Bonds consisted of capital appreciation bonds. The District retired these bonds during the 2017-18 fiscal year.

G. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Non-calendar days are to be taken within the same year they are earned, and any unused days in excess of ten at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements.

All District employees earn five days of state leave and four days of district leave per year. State leave accumulates with no limit. District leave accumulates up to 20 days. Upon retirement with 20 years or more of service with public schools of Texas and a minimum of 10 years of service with the District, an employee may receive a bonus for unused leave paid as follows: \$75 per day for the first fifty accumulated days for a maximum of \$3,750 for professional personnel, and \$60 per day for the first fifty accumulated days for a maximum of \$3,000 for paraprofessional personnel. Unless an employee requests a different order, available paid state and local leave is used in the following order: local & state sick leave, local personal leave, and then state personal leave. A summary of changes in the accumulated sick leave liability follows:

	<u>Sick Leave</u>
Balance September 1, 2018	\$ 194,467
Additions – New Entrants and Salary Increments	26,588
Deductions – Payments to Participants	<u>(27,863)</u>
Balance August 31, 2019	<u>\$ 193,192</u>

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

H. DEFINED BENEFIT PENSION PLAN

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

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

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 <https://www.trs.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.

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

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

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

	Contribution Rates	
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
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District's FY 2019 Employer Contributions	\$ 796,860
District's FY 2019 Member Contributions	\$ 2,131,825
Measurement Year NECE On-behalf Contributions	\$ 1,374,953

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, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

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

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

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

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August, 2018	3.69% - 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

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July, 2018.

Discount Rate – The single discount rate used to measure the total pension liability was 6.907%. The Discount Rate can be found in the 2018 TRS CAFR on page 77. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation *	Real Return Arithmetic Basis **	Long-Term Expected Portfolio Real Rate of Return
Global Equity			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.0%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectations			2.30%
Volatility Drag***			-0.79%
Total	100%		7.25%

* Target allocations are based on the FY2016 policy model

**Capital market assumption come from Aon Hewitt (2017 Q4)

***The volatility drag results from the conversion between arithmetic and geometric mean returns

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Discount Rate Sensitivity Analysis – The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability. The discount rate can be found in the 2018 TRS CAFR, Note 11, page 78.

	1% Decrease in Discount Rate (5.907%)	Current Single Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability:	\$ 18,669,449	\$ 12,370,101	\$ 7,270,405

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At August 31, 2019, the District reported a liability of \$12,370,101 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 12,370,101
State's proportionate share that is associated with District	<u>22,479,540</u>
Total	<u>\$ 34,849,641</u>

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

At August 31, 2018 the employer's proportion of the collective net pension liability was .0224737565% which was an increase of .0009060059% from its proportion measured as of August 31, 2017.

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

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

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

For the year ended August 31, 2019, the District recognized pension expense of \$4,076,176 and revenue of \$2,224,875 for support provided by the State in the Government-Wide Statement of Activities.

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 77,105	\$ 303,513
Changes in actuarial assumptions	4,460,017	139,376
Difference between projected and actual investment earnings	-	234,714
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,499,652	93,991
Contributions paid to TRS subsequent to the measurement date	796,860	-
Total	\$ 6,833,634	\$ 771,594

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:

	Pension Expense
Year ended August 31:	Amount
2020	\$ 1,419,255
2021	925,313
2022	783,786
2023	844,871
2024	771,940
Thereafter	520,015

I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

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

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

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

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$ 50,729,490,103
Less: plan fiduciary net position	798,574,633
Net OPEB liability	<u>\$ 49,930,915,470</u>
Net position as a percentage of total OPEB liability	1.57%

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

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

The 85th Legislature, Regular Session, passed the following statutory changes in HB 3976 which became effective on September 1, 2017. These are described below under the section "Changes in Benefit Terms".

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with and without Medicare coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018. (See the TRS CAFR page 70 for plan rates effective from September 1, 2016 - December 31, 2017.)

TRS-Care Monthly Premium rates Effective January 1, 2018 - Dec. 31, 2018			
		<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

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 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>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2019 FY Employer Contributions		\$ 230,340
District's 2019 FY Member Contributions		\$ 179,888
Measurement Year NECE On-Behalf Contributions		\$ 312,832

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
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In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

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

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% - Source for the rate is the Fixed Income Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index," as of August 31, 2018.
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post Employment Benefit Changes	None

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

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

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
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YEAR ENDED AUGUST 31, 2019

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 3.69% was used to measure the total OPEB liability. There was a change of .27 percent in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 71. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the Net OPEB Liability:	\$ 19,107,038	\$ 16,051,700	\$ 13,634,731

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.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 13,331,198	\$ 16,051,700	\$ 19,634,660

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At August 31, 2019, the District reported a liability of \$16,051,700 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 District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 16,051,700
State's proportionate share that is associated with the District	<u>22,674,692</u>
Total	<u>\$ 38,726,392</u>

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

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

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was .0321478188%, which was an increase of .0017672339% which was the same proportion measured as of August 31, 2017.

Changes in Actuarial Assumptions Since the Prior Actuarial Valuation The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

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

Changes in Benefit Terms: The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

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

For the year ended August 31, 2019, District recognized OPEB expense of \$1,347,248 and revenue of \$824,769 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 851,804	\$ 253,319
Changes in actuarial assumptions	267,859	4,822,615
Net Difference between projected and actual investment earnings	2,807	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	968,807	-
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	230,340	-
Total	\$ 2,321,617	\$ 5,075,934

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

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:

Year ended August 31:	OPEB Expense Amount
2020	\$ (511,236)
2021	(511,236)
2022	(511,236)
2023	(511,767)
2024	(512,071)
Thereafter	(427,111)

J. HEALTH CARE COVERAGE AND MEDICARE- 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.

Medicare Part D. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2019, 2018, and 2017 the subsidy payments received by TRS-Care on-behalf of the District were \$103,449, \$81,045, and \$78,822 respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

K. SELF-INSURED WORKERS' COMPENSATION

During the year ended August 31, 2019, employees of the District were covered by a Workers' Compensation Self-Insurance Joint Fund. This plan is established pursuant to Texas Labor Code Annotated Ch. 504 (Workers' Compensation Insurance Coverage for Employees of Political Subdivisions) and Texas Government Code Ch. 791 (the Interlocal Cooperation Act).

The contract between the Whitehouse Independent School District and the third-party administrator was renewed for five years on September 1, 2018, and terms and coverage and contribution costs are included in the contractual provisions. In accordance with state statute, the District was protected against unanticipated losses in excess of the self-insurance maximum amount of \$177,605 through Safety National Casualty Corporation.

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

Estimates of claims payable and of claims incurred, but not reported at August 31, 2019, are reflected as accounts and claims payable. This liability reported in the fund at August 31, 2019, is based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The plan is funded to discharge liabilities as they become due.

Changes in the balances of claims liabilities during the past year are as follows:

	Year Ended August 31, 2019
Unpaid claims, beginning of the year	\$ 255,230
Incurred claims (including IBNR's)	73,739
Claim payments	(154,148)
Unpaid claims, end of fiscal year	<u>\$ 174,821</u>

At August 31, 2019, the District had a funded cash reserve of \$342,131 to provide for these claims and future claims.

L. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2019 was as follows:

	Beginning Balances	Additions	Reductions and Accretion	Ending Balances	Due Within One Year
Bonds Payable	\$110,955,000	\$ -	\$ 2,055,000	\$108,900,000	\$2,205,000
Discount on Issuance Of Debt	12,721,688	-	1,059,359	11,662,329	1,031,730
Compensated Absences	194,467	26,588	27,863	193,192	110,340
TRS Net Pension Liability	6,896,205	6,230,980	757,084	12,370,101	-
TRS Net OPEB Liability	13,211,377	3,062,097	221,774	16,051,700	-
Long-Term Activities	<u>\$143,978,737</u>	<u>\$ 9,319,665</u>	<u>\$ 4,121,080</u>	<u>\$149,177,322</u>	<u>\$3,347,070</u>

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

M. OPERATING LEASES

The term of the lease for copiers was for three year beginning August 2019 and ending July 2022 for \$8,635 per month. The district also leases a postage meter for five years beginning September 2017 and ending 2022 for \$526 per quarter. The district can change vendors for the postage meter at their discretion.

The future lease payments at August 2019 are as follows:

	Postage Meter	Copiers	Total
2020	\$ 2,106	\$ 103,620	\$ 105,726
2021	2,106	103,620	105,726
2022	2,106	94,985	97,091
	<u>\$ 6,318</u>	<u>\$ 302,225</u>	<u>\$ 308,543</u>

Total lease expense (including operating leases noted above) amounted to \$148,784 and \$129,642 in 2019 and 2018, and respectively.

N. UNAVAILABLE/UNEARNED REVENUE

Unavailable revenue at year end consisted of the following:

	General Fund	Debt Service Fund
Unavailable Revenue – Property Taxes	<u>\$ 508,369</u>	<u>\$ 140,686</u>
Total Unavailable Revenue	<u>\$ 508,369</u>	<u>\$ 140,686</u>

Unearned revenue at year end consisted of the following:

	Special Revenue Fund
Unearned School Nutrition	<u>\$ 56,017</u>
Total Unearned Revenue	<u>\$ 56,017</u>

O. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2019, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Other	State Entitlements	Federal Grants	Total
General Fund	\$ 540	\$ 2,272,890	\$ -	\$ 2,273,430
Special Revenue	<u>420</u>	<u>-</u>	<u>491,992</u>	<u>492,412</u>
Total	<u>\$ 960</u>	<u>\$ 2,272,890</u>	<u>\$ 491,992</u>	<u>\$ 2,765,842</u>

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

P. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources as shown on the governmental activities financials consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$21,724,671	\$ -	\$7,215,850	\$ -	\$28,940,521
Food Sales	-	613,273	-	-	613,273
Investment					
Income	310,966	17,018	80,676	110,657	519,317
Penalties, Interest and Other Tax Related					
Income	197,894	-	50,111	-	248,005
Enterprise- Campus Activity	-	118,346	-	-	118,346
Athletics	138,350	5,055	-	-	143,405
Insurance					
Recovery	26,487	-	-	-	26,487
Other	230,564	147,529	-	11,500	389,593
	<u>\$22,628,932</u>	<u>\$ 901,221</u>	<u>\$7,346,637</u>	<u>\$ 122,157</u>	<u>\$30,998,947</u>

Q. JOINT VENTURE SHARED SERVICE ARRANGEMENTS

The district participates in the Tyler Regional Day School Program for the Deaf to provide special education services for the hearing impaired. Funds in the amount of \$74,650 were paid to Tyler ISD as fiscal agent for 2018-19.

The district participates in the SuperNet SSA which provides Internet services and distance learning to its members. Funds in the amount of \$27,735 were paid to White Oak ISD as fiscal agent for 2018-19.

The district participates in a JJAEP (Juvenile Justice Alternative Education Program) SSA, operated under the authority of the Smith County Juvenile Board, to provide alternative education services for the students who face expulsion or are placed in the program by a Juvenile Court Judge. Funds in the amount of \$4,302 were paid to Tyler ISD as fiscal agent for 2018-19.

R. LITIGATION AND CONTINGENCIES

The District is not a party to any legal action and is not aware of any potential litigations. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingency.

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

The District participates in numerous state and federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2019 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

S. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2019, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.022473757%	0.021567751%	0.0219386%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 12,370,101	\$ 6,896,205	\$ 8,290,272
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	22,479,540	13,541,203	16,467,506
Total	<u>\$ 34,849,641</u>	<u>\$ 20,437,408</u>	<u>\$ 24,757,778</u>
District's Covered Payroll	\$ 26,722,086	\$ 25,901,830	\$ 25,551,970
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	46.29%	26.62%	32.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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, 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.

FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.0216843%		0.0130102%	
\$	7,665,111	\$	3,475,205
15,749,274		13,326,071	
\$	23,414,385	\$	16,801,276
\$	24,200,445	\$	23,200,120
31.67%		14.97%	
78.43%		83.25%	

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

	2019	2018	2017
Contractually Required Contribution	\$ 796,860	\$ 757,084	\$ 707,454
Contribution in Relation to the Contractually Required Contribution	(796,860)	(757,084)	(707,454)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 27,686,029	\$ 26,772,086	\$ 25,901,830
Contributions as a Percentage of Covered Payroll	2.88%	2.83%	2.73%

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.

2016		2015	
\$	697,045	\$	642,081
	(697,045)		(642,081)
\$	-	\$	-
\$	25,551,970	\$	24,200,445
	2.73%		2.65%

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

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.032147819%	0.030380585%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 16,051,700	\$ 13,211,377
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	22,674,692	20,257,839
Total	<u>\$ 38,726,392</u>	<u>\$ 33,469,216</u>
District's Covered Payroll	\$ 26,722,086	\$ 25,901,830
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	60.07%	51.01%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

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

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

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

	2019	2018
Contractually Required Contribution	\$ 230,340	\$ 221,774
Contribution in Relation to the Contractually Required Contribution	(230,340)	(221,774)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll	\$ 27,686,029	\$ 26,722,086
Contributions as a Percentage of Covered Payroll	0.83%	0.83%

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.

T.E.A. REQUIRED SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.040000	0.153000	1,664,384,848
2012	1.040000	0.153000	1,683,444,761
2013	1.040000	0.153000	1,685,752,820
2014	1.040000	0.153000	1,731,946,031
2015	1.040000	0.153000	1,790,647,388
2016	1.040000	0.153000	1,864,301,738
2017	1.040000	0.153000	1,969,268,158
2018	1.040000	0.373000	2,063,646,700
2019 (School year under audit)	1.060000	0.353000	2,175,825,810
1000 TOTALS			
Various			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 116,832	\$ -	\$ 7,071	\$ 1,039	\$ (9,086)	\$ 99,636
15,288	-	3,807	560	-	10,921
17,942	-	4,687	690	-	12,565
22,722	-	3,273	482	(5,103)	13,864
30,587	-	10,052	1,479	159	19,215
39,598	-	19,860	2,922	7,311	24,127
62,610	-	25,821	3,799	3,208	36,198
101,065	-	38,400	5,649	(5,088)	51,928
254,765	-	83,064	29,791	(21,869)	120,041
-	29,098,310	21,528,636	7,169,439	(119,600)	280,635
<u>\$ 661,409</u>	<u>\$ 29,098,310</u>	<u>\$ 21,724,671</u>	<u>\$ 7,215,850</u>	<u>\$ (150,068)</u>	<u>\$ 669,130</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 592,709	\$ 641,859	\$ 636,973	\$ (4,886)
5800 State Program Revenues	43,143	43,143	37,745	(5,398)
5900 Federal Program Revenues	1,273,689	1,452,489	1,445,118	(7,371)
5020 Total Revenues	1,909,541	2,137,491	2,119,836	(17,655)
EXPENDITURES:				
Current:				
0035 Food Services	2,000,669	2,267,869	2,202,971	64,898
6030 Total Expenditures	2,000,669	2,267,869	2,202,971	64,898
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(91,128)	(130,378)	(83,135)	47,243
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	20,000	27,490	22,456	(5,034)
1200 Net Change in Fund Balances	(71,128)	(102,888)	(60,679)	42,209
0100 Fund Balance - September 1 (Beginning)	500,383	500,383	500,383	-
3000 Fund Balance - August 31 (Ending)	\$ 429,255	\$ 397,495	\$ 439,704	\$ 42,209

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 7,218,590	\$ 7,218,590	\$ 7,346,637	\$ 128,047
5800 State Program Revenues	79,063	79,063	63,450	(15,613)
5020 Total Revenues	7,297,653	7,297,653	7,410,087	112,434
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	2,055,000	2,055,000	2,055,000	-
0072 Interest on Long-Term Debt	5,141,525	5,141,525	5,141,525	-
0073 Bond Issuance Cost and Fees	30,000	30,000	6,475	23,525
6030 Total Expenditures	7,226,525	7,226,525	7,203,000	23,525
1200 Net Change in Fund Balances	71,128	71,128	207,087	135,959
0100 Fund Balance - September 1 (Beginning)	1,365,184	1,365,184	1,365,184	-
3000 Fund Balance - August 31 (Ending)	\$ 1,436,312	\$ 1,436,312	\$ 1,572,271	\$ 135,959

FEDERAL AWARDS SECTION



SQUYRES, JOHNSON, SQUYRES

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

Board of Trustees
Whitehouse Independent School District
104 Hwy 110 N
Whitehouse, Texas 75791

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Whitehouse Independent School District as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Aguiar, Johnson, Ayers & Co. LLP
Certified Public Accountants

Tyler, Texas
January 13, 2020



SQUYRES, JOHNSON, SQUYRES

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Whitehouse Independent School District
104 Hwy 110 N
Whitehouse, Texas 75791

Report on Compliance for Each Major Federal Program

We have audited Whitehouse Independent School District's (District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Whitehouse Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control Over Compliance

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

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

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

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


Certified Public Accountants

Tyler, Texas
January 13, 2020

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

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Federal Awards

Noncompliance material to financial statements noted? _____ yes X no

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ? _____ yes X no

Identification of major federal programs:

CFDA Number(s): #84.010A ESEA, Title I, Part A

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes

Section II—Financial Statement Findings

There are no findings to report.

Section III—Federal Award Findings and Questioned Costs

None

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

There were no findings in the prior year.

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
Title I Grants to Local Education Agencies			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101212906	\$ 25,673
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101212906	734,616
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101212906	46,143
Total CFDA Number 84.010A			806,432
Special Education Grants to States			
*IDEA - Part B, Formula	84.027A	186600012129066600	44,914
*IDEA - Part B, Formula	84.027A	196600012129066600	624,438
*IDEA - Part B, Formula	84.027A	206600012129066600	66,124
*IDEA - Part B, Discretionary	84.027A	66001906	67,584
Total CFDA Number 84.027A			803,060
*IDEA - Part B, Preschool	84.173A	186610012129066610	6,363
*IDEA - Part B, Preschool	84.173A	196610012129066610	20,163
*IDEA - Part B, Preschool	84.173A	206610012129066610	1,858
Total CFDA Number 84.173A			28,384
Total Special Education Cluster (IDEA)			831,444
Career and Technical Education - Basic Grants to States			
Career and Technical - Basic Grant	84.048A	19420006212906	52,163
Career and Technical - Basic Grant	84.048A	20420006212906	2,688
Total CFDA Number 84.048A			54,851
English Language Acquisition State Grants			
Title III, Part A - English Language Acquisition	84.365A	19671001212906	14,335
Title III, Part A - English Language Acquisition	84.365A	20671001212906	859
Total CFDA Number 84.365A			15,194
Improving Teacher Quality State Grants			
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19694501212906	114,145
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501212906	4,750
Total CFDA Number 84.367A			118,895
Grants for State Assessments and Related Activities			
Summer School LEP	84.369A	69551802	1,252
Student Support and Academic Enrichment Program			
Title IV, Part A, Subpart I	84.424A	19680101212906	47,557
Title IV, Part A, Subpart I	84.424A	20680101212906	5,378
Total CFDA Number 84.424A			52,935
Total Passed Through State Department of Education			1,881,003
TOTAL U.S. DEPARTMENT OF EDUCATION			1,881,003
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	USDA	361,206
*National School Lunch Program - Cash Assistance	10.555	USDA	949,580
*National School Lunch Prog. - Non-Cash Assistance	10.555	USDA	134,333
Total CFDA Number 10.555			1,083,913
Total Child Nutrition Cluster			1,445,119
Total Passed Through the State Department of Agriculture			1,445,119
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,445,119
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,326,122
*Clustered Programs			
See Accompanying Notes to the Schedule of Expenditures of Federal Awards.			

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

3. The period performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Supplement.
4. CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA.10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering Whitehouse Independent School District fiscal year beginning September 1, 2008, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.
5. Indirect cost reimbursement for federal programs for this fiscal year was received in the amount of \$21,261.
6. Reconciliation of Schedule of Expenditures of Federal Awards (Exhibit K-1) to Exhibit C-3:

Total Expenditures of Federal Awards on Exhibit K-1	\$ 3,326,122
School Health and Related Services (SHARS)	264,716
Federal Program Revenue on Exhibit C-3	<u>\$ 3,590,838</u>