

WELLMAN-UNION
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2020

Introductory Section

Wellman-Union Independent School District
Annual Financial Report
For The Year Ended August 31, 2020

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Annual Financial Report
For The Year Ended August 31, 2020

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CERTIFICATE OF BOARD

Wellman-Union Independent School District
Name of School District

Terry
County

223-904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2020, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

Financial Section

Stephen H. Webb, CPA



Mitchell E. Edwards, CPA

823 LFD Drive | Littlefield, Texas 79339 | 806 . 385 . 5181 | Fax 806 . 385 . 5183

Member of Texas Society of CPA's and American Institute of CPA's

Independent Auditor's Report

To the Board of Trustees
Wellman-Union Independent School District
P.O. Box 69
Wellman, Texas 79378

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellman-Union Independent School District ("the District") as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wellman-Union Independent School District as of August 31, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wellman-Union Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020 on our consideration of Wellman-Union Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wellman-Union Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Webb, Webb + Wright

Webb Webb & Wright CPA's, PLLC

Littlefield, TX
November 25, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Wellman-Union Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2020. Please read it in conjunction with the District's financial statements.

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 long-term view of the District's property and 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. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the government.

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.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the same basis of accounting used by most private sector companies – accrual.

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 grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and general revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Position and the Statement of Activities, the District operates under one kind of activity:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act for the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

Governmental Funds – The District reports most of its basic services 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 they 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 governmental fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

Net position of the District's governmental activities increased from \$2,301,629 to \$2,363,778. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$2,249,319 at August 31, 2020.

This increase in governmental net position was the net result of the District's revenues exceeding the expenditures by \$62,147.

Table 1

Wellman-Union Independent School District

Net Position
In thousands

	Governmental Activities	
	2020	2019
Current and other assets	4,211	3,780
Capital assets	19,121	18,953
Total assets	23,332	22,733
Deferred outflows of resources	1,635	987
Total deferred outflows of resources	1,635	987
Long-term liabilities	21,129	20,721
Other liabilities	536	191
Total liabilities	21,665	20,912
Deferred inflows of resources	938	506
Total deferred inflows of resources	938	506
Net position:		
Net investment in capital assets	(122)	556
Restricted for -		
Debt service	237	210
Unrestricted	2,249	1,536
Total net position	2,364	2,302

Table 2

Wellman-Union Independent School District

Changes in Net Position
in thousands

	Governmental Activities		Total Percentage Change 2019-2020
	2020	2019	
Revenues:			
Program Revenues:			
Charges for services	72	72	0.0%
Operating grants and contributions	616	584	5.5%
General revenues:			
Maintenance and operations taxes	2,013	2,332	-13.7%
Debt service taxes	1,050	1,112	-5.6%
State aid - formula grants	1,674	1,178	4.2%
Other	225	278	-19.1%
Total revenues	5,650	5,556	1.7%
Expenses:			
Instruction, curriculum and media services	2,537	2,351	7.9%
Instructional and school leadership	260	262	-0.8%
Student support services	245	220	11.4%
Child nutrition	190	197	-3.6%
Co-curricular activities	238	239	-0.4%
General administration	304	364	-16.5%
Plant maintenance, security and data processing services	601	527	14.0%
Interest on long-term debt	819	857	-4.4%
Capital outlay	7	-0-	100.0%
Contracted Instructional Services	72	80	10.0%
Bond Issuance Costs	274	-0-	100.0%
Other	41	46	-10.9%
Total expenses	5,588	5,143	10.7%
Increase (decrease) in net position	62	413	
Net position - Beginning	2,302	1,889	
Net position - End	2,364	2,302	

The District's total revenues were up by \$62,147 this year. The total cost of all programs and services were up by \$444,822 this year.

For the 2019-2020 school year, the Wellman-Union school board reduced the tax rate from \$1.59410 to \$1.54910. The Maintenance and Operations (M&O) tax rate decreased from \$1.0781 to \$1.0081 and the Interest and Sinking (I&S) tax rate increased from \$0.516 to \$0.541. The I&S rate is used to make payments on the bond approved by the voters in May of 2013. The bond was used to build a new building and renovate the PK-12 campus.

The cost of all governmental activities this year was \$5,588,087. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$3,062,975 because some of the costs were paid by those who directly benefited from the programs (\$72,239) or by other governments and organizations that subsidized certain programs with grants and contributions (\$616,259) or by State equalization funding (\$1,673,705).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$3,601,166 which is above last year's total of \$3,588,153. Included in this year's total change in fund balance is an increase of \$1,721 in the District's General Fund.

The District showed an increase in its overall fund balance due to an increase in enrollment. With the steady enrollment increase, the district added instructional staff, increased the technology infrastructure, and increased the District's General Fund by \$1,721.

General Fund Budgetary Highlights

The District's General Fund balance of \$3,391,237 differs from the General Fund's budgetary fund balance of \$3,366,256. This difference is shown on the Budgetary Comparison Schedule (Exhibit G-1).

Over the course of the year, the District recommended and the Board approved several revisions to the original General Fund budgeted revenue and appropriations. The final amended budget reflected an excess of revenues over expenditures of \$24,441 and the actual was an excess of revenues over expenditures of \$37,212. The most positive variance was from instruction and instructional related expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the District had \$22,515,039 invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment. This amount represents a net increase of \$637,791 or a 2.92% increase (including additions and deductions) from last year.

This year's major additions included:

Church Building – 6 th St.	\$ 100,000
Gym Floor	29,965
House – Terry St.	34,160
Fence	28,094
Construction in Progress	445,572

Total	\$ 637,791
	=====

Wellman-Union ISD is working on making major improvements to our facilities. In May of 2013, the voters approved a \$19,000,000 bond improvement package. We completed construction at the end of July of 2017. In addition, Wellman-Union ISD continues to make minor improvements to our other facilities. These improvements are incorporated into the M&O budget. Additionally, construction of a new track began in the spring of 2020, with completion in the fall of 2020.

Debt

At year-end, the District had \$19,237,205 in bond debt outstanding versus \$18,396,676 for the prior year. This debt is from the issuance of Unlimited Tax Refunding Bonds Series 2020 in August 2020. The proceeds from Bond Series 2020 were used to defease the Bond Series 2013.

More detailed information about the District's long-term liabilities is presented in Note F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's Board of Trustees and Superintendent considered many factors when setting the 2021 fiscal year budget and tax rate. Among these factors are the fluctuation in student enrollment, the slight decrease in mineral property values, teacher pay increases associated with years of experience, and the steady increase of fixed costs. Total revenue projections for the General Fund budget year 2021 have been prepared based on the fluctuating enrollment and a decrease in property values. We decreased our M&O tax rate of \$1.0081 per \$100 valuation to \$.9945. The M&O will be used to add and support instructional staff to better meet the need of our growing student population. There was a decrease in the I&S tax rate from \$.5410 per \$100 valuation to \$.4106 due to refinancing the bond payment. While there is no certainty the District can operate fiscal year 2021 based on estimates and projections without tapping into its reserves, it has in place a budget that is within the anticipated revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office.

Basic Financial Statements

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2020

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 2,982,645
1120	Current Investments	1,110,191
1225	Property Taxes Receivable (Net)	79,138
1240	Due from Other Governments	33,883
1300	Inventories	1,298
1490	Other Current Assets	3,000
Capital Assets:		
1510	Land	112,894
1520	Buildings and Improvements, Net	18,292,061
1530	Furniture and Equipment, Net	270,637
1580	Construction in Progress	445,572
1000	Total Assets	<u>23,331,319</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Loss on Refunding	765,930
	Deferred Outflow Related to Pensions	429,575
	Deferred Outflow Related to OPEB	439,721
1700	Total Deferred Outflows of Resources	<u>1,635,226</u>
LIABILITIES:		
2110	Accounts Payable	4,919
2140	Interest Payable	6,100
2165	Accrued Liabilities	143,936
2180	Due to Other Governments	380,996
Noncurrent Liabilities:		
2501	Due Within One Year	202,623
2502	Due in More Than One Year	19,034,582
2540	Net Pension Liability	765,641
2545	Net OPEB Liability	1,125,771
2000	Total Liabilities	<u>21,664,568</u>
DEFERRED INFLOWS OF RESOURCES:		
	Deferred Inflow Related to Pensions	161,814
	Deferred Inflow Related to OPEB	776,385
2600	Total Deferred Inflows of Resources	<u>938,199</u>
NET POSITION:		
3200	Net Investment in Capital Assets	(122,041)
Restricted For:		
3850	Debt Service	236,500
3900	Unrestricted	2,249,319
3000	Total Net Position	<u>\$ 2,369,778</u>

The accompanying notes are an integral part of this statement.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 2,516,288	\$ 0	\$ 391,634	\$ (2,124,654)	
12	Instructional Resources and Media Services	2,919	0	57	(2,862)	
13	Curriculum and Staff Development	17,860	0	9,814	(8,046)	
21	Instructional Leadership	5,215	0	5,217	2	
23	School Leadership	254,570	0	29,317	(225,253)	
31	Guidance, Counseling, & Evaluation Services	47,302	0	4,263	(43,039)	
33	Health Services	15,950	0	1,259	(14,691)	
34	Student Transportation	182,420	0	7,695	(174,725)	
35	Food Service	190,347	43,764	118,854	(27,729)	
36	Cocurricular/Extracurricular Activities	237,595	10,292	10,821	(216,482)	
41	General Administration	303,662	0	9,110	(294,552)	
51	Facilities Maintenance and Operations	488,979	18,183	14,907	(455,889)	
52	Security and Monitoring Services	3,620	0	4	(3,616)	
53	Data Processing Services	108,112	0	10,204	(97,908)	
72	Interest on Long-term Debt	818,720	0	3,018	(815,702)	
73	Bond Issuance Costs and Fees	274,456	0	0	(274,456)	
81	Capital Outlay	7,479	0	8	(7,471)	
93	Payments Related to Shared Services Arrangement	72,099	0	77	(72,022)	
99	Other Intergovernmental Charges	40,494	0	0	(40,494)	
TG	Total Governmental Activities	<u>5,588,087</u>	<u>72,239</u>	<u>616,259</u>	<u>(4,899,589)</u>	
TP	Total Primary Government	<u>\$ 5,588,087</u>	<u>\$ 72,239</u>	<u>\$ 616,259</u>	<u>(4,899,589)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				2,012,766	
DT	Property Taxes, Levied for Debt Service				1,050,209	
IE	Investment Earnings				46,443	
GC	Grants and Contributions Not Restricted to Specific Programs				1,673,705	
MI	Miscellaneous				178,613	
TR	Total General Revenues				<u>4,961,736</u>	
CN	Change in Net Position				<u>62,147</u>	
NB	Net Position - Beginning				<u>2,301,631</u>	
NE	Net Position - Ending				<u>\$ 2,363,778</u>	

The accompanying notes are an integral part of this statement.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 2,793,723	\$ 209,929	\$ (21,007)	\$ 2,982,645
1120	Current Investments	1,110,191	0	0	1,110,191
1225	Taxes Receivable, Net	52,567	26,571	0	79,138
1240	Due from Other Governments	0	0	33,883	33,883
1300	Inventories	1,298	0	0	1,298
1490	Other Current Assets	3,000	0	0	3,000
1000	Total Assets	<u>3,960,779</u>	<u>236,500</u>	<u>12,876</u>	<u>4,210,155</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 4,919	\$ 0	\$ 0	\$ 4,919
2150	Payroll Deductions & Withholdings	1,886	0	0	1,886
2160	Accrued Wages Payable	126,551	0	12,031	138,582
2180	Due to Other Governments	380,996	0	0	380,996
2200	Accrued Expenditures	2,623	0	845	3,468
2000	Total Liabilities	<u>516,975</u>	<u>0</u>	<u>12,876</u>	<u>529,851</u>
DEFERRED INFLOWS OF RESOURCES:					
	Unavailable Revenue - Property Taxes	52,567	26,571	0	79,138
2600	Total Deferred Inflows of Resources	<u>52,567</u>	<u>26,571</u>	<u>0</u>	<u>79,138</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	1,298	0	0	1,298
Restricted Fund Balances:					
3480	Retirement of Long-Term Debt	0	209,929	0	209,929
Assigned Fund Balances:					
3550	Construction	700,000	0	0	700,000
3570	Capital Expenditures for Equipment	100,000	0	0	100,000
3580	Self-Insurance	20,000	0	0	20,000
3590	Other Assigned Fund Balance	100,000	0	0	100,000
3600	Unassigned	2,469,939	0	0	2,469,939
3000	Total Fund Balances	<u>3,391,237</u>	<u>209,929</u>	<u>0</u>	<u>3,601,166</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 3,960,779</u>	<u>\$ 236,500</u>	<u>\$ 12,876</u>	<u>\$ 4,210,155</u>

The accompanying notes are an integral part of this statement.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION*
 AUGUST 31, 2020

Total fund balances - governmental funds balance sheet	\$ 3,601,166
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	19,121,164
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	79,138
Payables for bond principal which are not due in the current period are not reported in the funds.	(16,634,985)
Payables for bond interest which are not due in the current period are not reported in the funds.	(6,100)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(2,602,220)
Deferred loss on refunding is not reported in the funds.	765,930
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(765,641)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(161,814)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	429,575
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(1,125,771)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(776,385)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	439,721
Net position of governmental activities - Statement of Net Position	<u>\$ 2,363,778</u>

The accompanying notes are an integral part of this statement.

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

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 2,118,456	\$ 1,050,209	\$ 43,764	\$ 3,212,429
5800 <i>State Program Revenues</i>	1,822,740	3,018	29,289	1,855,047
5900 <i>Federal Program Revenues</i>	8,639	0	303,254	311,893
5020 Total Revenues	<u>3,949,835</u>	<u>1,053,227</u>	<u>376,307</u>	<u>5,379,369</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	1,775,915	0	209,688	1,985,603
0012 <i>Instructional Resources and Media Services</i>	2,884	0	0	2,884
0013 <i>Curriculum and Staff Development</i>	8,055	0	9,805	17,860
0021 <i>Instructional Leadership</i>	0	0	5,215	5,215
0023 <i>School Leadership</i>	229,184	0	6,155	235,339
0031 <i>Guidance, Counseling, & Evaluation Services</i>	43,780	0	0	43,780
0033 <i>Health Services</i>	15,146	0	0	15,146
0034 <i>Student Transportation</i>	118,175	0	0	118,175
0035 <i>Food Service</i>	0	0	180,935	180,935
0036 <i>Cocurricular/Extracurricular Activities</i>	214,196	0	0	214,196
0041 <i>General Administration</i>	278,640	0	0	278,640
0051 <i>Facilities Maintenance and Operations</i>	525,746	0	0	525,746
0052 <i>Security and Monitoring Services</i>	1,587	0	0	1,587
0053 <i>Data Processing Services</i>	103,706	0	0	103,706
0071 <i>Principal on Long-term Debt</i>	0	195,000	0	195,000
0072 <i>Interest on Long-term Debt</i>	0	849,557	0	849,557
0073 <i>Bond Issuance Costs and Fees</i>	0	274,456	0	274,456
0081 <i>Capital Outlay</i>	483,016	0	0	483,016
0093 <i>Payments to Shared Service Arrangements</i>	72,099	0	0	72,099
0099 <i>Other Intergovernmental Charges</i>	40,494	0	0	40,494
6030 Total Expenditures	<u>3,912,623</u>	<u>1,319,013</u>	<u>411,798</u>	<u>5,643,434</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>37,212</u>	<u>(265,786)</u>	<u>(35,491)</u>	<u>(264,065)</u>
Other Financing Sources and (Uses):				
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	0	19,237,205	0	19,237,205
7915 <i>Transfers In</i>	0	0	35,491	35,491
8911 <i>Transfers Out</i>	(35,491)	0	0	(35,491)
8949 <i>Other Uses - Payment to Escrow Agent</i>	0	(18,960,128)	0	(18,960,128)
7080 Total Other Financing Sources and (Uses)	<u>(35,491)</u>	<u>277,077</u>	<u>35,491</u>	<u>277,077</u>
1200 Net Change In Fund Balances	<u>1,721</u>	<u>11,291</u>	<u>0</u>	<u>13,012</u>
0100 Fund Balances - Beginning	<u>3,389,516</u>	<u>198,638</u>	<u>0</u>	<u>3,588,154</u>
0000 Fund Balances - Ending	<u>\$ 3,391,237</u>	<u>\$ 209,929</u>	<u>\$ 0</u>	<u>\$ 3,601,166</u>

The accompanying notes are an integral part of this statement.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2020*

Net change in fund balances - total governmental funds	\$ 13,012
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	637,791
The depreciation of capital assets used in governmental activities is not reported in the funds.	(468,980)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	40,614
Repayment of bond principal and loss on refunding is not an expense in the SOA.	19,155,128
(Increase) decrease in accrued interest from beginning of period to end of period.	30,837
Bond premiums are amortized in the SOA, but not in the funds.	7,478
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(19,237,205)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$68,331. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$51,602. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (increased) decreased the change in net position by \$118,289. The net result is an increase (decrease) in the change in net position.	(101,560)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$22,085. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$16,905. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense (increased) decreased the change in net position by \$20,148. The net result is an increase (decrease) in the change in net position.	(14,968)
Change in net position of governmental activities - Statement of Activities	<u>\$ 62,147</u>

The accompanying notes are an integral part of this statement.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2020

Data Control Codes	Agency Fund	Student Activity
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 48,777	
1000 Total Assets	<u>48,777</u>	
LIABILITIES:		
Current Liabilities:		
2190 <i>Due to Student Groups</i>	\$ 48,777	
2000 Total Liabilities	<u>48,777</u>	
NET POSITION:		
3000 Total Net Position	<u>\$ 0</u>	

The accompanying notes are an integral part of this statement.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

A. Summary of Significant Accounting Policies

The basic financial statements of Wellman-Union Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: This fund is used to account for accumulations of resources that are restricted, committed, or assigned to expenditure for principal and interest.

In addition, the District reports the following fund types:

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.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	15
Vehicles	5-10
Office Equipment	3-10
Computer Equipment	5

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Compensated Absences

School employees earn state and local (personal) leave in varying amounts. Unused personal leave may be accumulated and is paid upon retirement. The school has identified a liability for accumulated personal leave where the employees' rights to receive benefits are attributable to services already rendered, and it is probable that the school will compensate the employees through either paid time off or cash payments at termination. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee retirements. The contingent liability for accumulated personal leave at August 31, 2020 was \$23,780.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

k. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

l. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

5. Other Post-Employment Benefits

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

6. Implementation of New Standards

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

GASB Statement No. 92, Omnibus 2020

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

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

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

7. Future Implementation of New Standards

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

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

Statement No. 84, *Fiduciary Activities*

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

Statement No. 90, *Majority Equity Interests*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

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

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

Statement No. 87, *Leases*

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Nonmajor Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,982,645 and the bank balance was \$3,141,803. The District's cash deposits at August 31, 2020 and during the year ended August 31, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

The District's investments in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of \$1.00. The book value of the position in the pools is the same as the number of the shares in each pool; the market value of a share should approximately equal the book value of a share.

The District's investment at August 31, 2020 is shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Texpool	N/A	\$ 1,110,191	\$ 1,110,191
Total Investments		\$ 1,110,191	\$ 1,110,191

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2020, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows: AAAm by Standard & Poors.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts. The District reports investments in local governmental investment pools following GASB 79 at amortized cost.

Public Funds Investment Pools

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

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

TexPool

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
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D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 112,894	\$ 0	\$ 0	\$ 112,894
Construction in progress	0	445,572	0	445,572
Total capital assets not being depreciated	<u>112,894</u>	<u>445,572</u>	<u>0</u>	<u>558,466</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	20,562,688	192,219	0	20,754,907
Equipment	310,438	0	0	310,438
Vehicles	891,228	0	0	891,228
Total capital assets being depreciated	<u>21,764,354</u>	<u>192,219</u>	<u>0</u>	<u>21,956,573</u>
Less accumulated depreciation for:				
Buildings and Improvements	(2,065,261)	(397,581)	0	(2,462,842)
Equipment	(234,179)	(10,619)	0	(244,798)
Vehicles	(625,450)	(60,780)	0	(686,230)
Total accumulated depreciation	<u>(2,924,890)</u>	<u>(468,980)</u>	<u>0</u>	<u>(3,393,870)</u>
Total capital assets being depreciated, net	<u>18,839,464</u>	<u>(276,761)</u>	<u>0</u>	<u>18,562,703</u>
Governmental activities capital assets, net	<u>\$ 18,952,358</u>	<u>\$ 168,811</u>	<u>\$ 0</u>	<u>\$ 19,121,169</u>

Depreciation was charged to functions as follows:

Instruction	\$ 379,726
Student Transportation	59,444
Food Services	570
Extracurricular Activities	13,841
General Administration	1,377
Plant Maintenance and Operations	14,022
	<u>\$ 468,980</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2020, consisted of the following:

None

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	35,491	Supplement other funds sources
	Total	<u>\$ 35,491</u>	

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

On July 15, 2013, the school district issued Unlimited Tax School Building Bonds - Series 2013 in the amount of \$18,997,298. The bond proceeds will be used to build a new school facility. The interest rate of this bond issue varies from 3.00% to 5.25%. These bonds were defeased in August 2020.

There was interest of \$849,556 paid on these bonds during the current school year.

In August 2020, the District issued \$16,634,985 in "Unlimited Tax Refunding Bonds Series 2020" with interest rates ranging from .697% to 4.00%. The District received a net premium of \$2,602,220. The total proceeds, less issuance costs and underwriter's discount of \$149,025 and \$123,481 respectively, were used to defease \$17,985,000 Unlimited Tax School Building Bonds - Series 2013. Principal and interest payments are due every February 15 and August 15 beginning February 15, 2021 until August 15, 2048. An amount of \$18,960,128 was placed in an escrow account to provide for future debt service payments relating to the defeased bonds. Accordingly, the escrow account for the defeased bonds are not included in the District's financial statements.

There was no interest paid on the Unlimited Tax Refunding Bonds Series 2020 for the current school year.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 18,180,000	\$ 16,634,985	\$ 18,180,000	\$ 16,634,985	\$ 202,623
Bond Issuance Premium	216,676	2,602,220	216,676	2,602,220	0
Net Pension Liability *	874,618	0	108,977	765,641	0
Net OPEB Liability *	1,449,672	0	323,901	1,125,771	0
Total governmental activities	\$ 20,720,966	\$ 19,237,205	\$ 18,829,554	\$ 21,128,617	\$ 202,623

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General
Net OPEB Liability *	Governmental	General

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2020, are as follows:

Year Ending August 31,	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2021	\$ 202,623	365,328		\$	\$ 567,951
2022	156,614	376,842			533,456
2023	126,096	376,842			502,938
2024	99,412	376,842			476,254
2025	219,687	376,842			596,529
2026-2030	1,170,553	1,884,211			3,054,764
2031-2035	3,480,000	1,627,018			5,107,018
2036-2040	3,875,000	1,227,218			5,102,218
2041-2045	4,395,000	718,852			5,113,852
2046-2050	2,910,000	150,918			3,060,918
Totals	\$ 16,634,985	\$ 7,480,913	\$ 0	\$ 0	\$ 24,115,898

There are no notes from Direct Borrowings. Also, no unused lines of credit nor assets pledged as collateral for debt.

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2020, as follows:

Year Ending August 31,	
2021	\$ 12,790
2022	12,096
2023	12,096
2024	12,096
Total Minimum Rentals	\$ 49,078
Rental Expenditures in 2020	\$ 13,285

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

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

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

4. Contributions

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

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

	<u>Contribution Rates</u>	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
District's 2020 Employer Contributions	\$ 68,331	
District's 2020 Member Contributions	\$ 161,957	
2019 NECE On-Behalf Contributions (state)	\$ 103,588	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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5. Actuarial Assumptions

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

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

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

6. Discount Rate

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

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

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

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 1,176,901	\$ 765,641	\$ 432,440

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

At August 31, 2020, the District reported a liability of \$765,641 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:

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
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District's proportionate share of the collective net pension liability	\$ 765,641
State's proportionate share that is associated with District	<u>1,538,534</u>
Total	<u>\$ 2,304,175</u>

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

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.0014728636%, which was an increase (decrease) of (.0001161248%) from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

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

For the year ended August 31, 2020, the District recognized pension expense of \$411,573 and revenue of \$241,682 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,216	\$ 26,584
Changes in actuarial assumptions	237,539	98,162
Difference between projected and actual investment earnings	7,688	0
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	112,801	37,068
Contributions paid to TRS subsequent to the measurement date	<u>68,331</u>	<u>0</u>
Total	<u>\$ 429,575</u>	<u>\$ 161,814</u>

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
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The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Pension Expense Amount
2021	\$ 56,967
2022	\$ 47,315
2023	\$ 48,664
2024	\$ 44,911
2025	\$ 11,127
Thereafter	\$ (9,555)

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/documents/cafr.pdf>, selecting about TRS then publications then Financial Reports or by writing to TRS at 1000 Red River St, Austin, TX 78701.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2019 are as follows:

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

3. Benefits Provided

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

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

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The premium rates for retirees are reflected in the following table.

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

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%

District's 2020 Employer Contributions	\$	22,085
District's 2020 Member Contributions	\$	13,672
2019 NECE On-Behalf Contributions (state)	\$	22,448

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

5. Actuarial Assumptions

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

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation *
Healthcare Trend Rates	7.30% **
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. ***
Ad Hoc Post-Employment Benefit Changes	None

* Includes inflation at 2.5%.

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

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

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was an increase of 1.06% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 1,359,166	\$ 1,125,771	\$ 943,185

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

At August 31, 2020, the District reported a liability of \$1,125,771 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 1,125,771
State's proportionate share that is associated with the District	\$ 1,495,897
Total	<u>\$ 2,621,668</u>

The Net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019 the District's proportion of the collective net OPEB liability was 0.0023805056%, which was an increase (decrease) of (0.0005228494%) from its proportion measured as of August 31, 2018.

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

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 918,364	\$ 1,125,771	\$ 1,403,600

9. Changes Since the Prior Actuarial Valuation

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

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

--- Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$76,479 and revenue of \$39,426 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 55,229	\$ 184,220
Changes in actuarial assumptions	62,528	302,805
Differences between projected and actual investment earnings	121	
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	299,758	289,360
Contributions paid to TRS subsequent to the measurement date	22,085	
Total	<u>\$ 439,721</u>	<u>\$ 776,385</u>

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

Year ended August 31,	OPEB Expense Amount
2021	\$ (55,542)
2022	\$ (55,543)
2023	\$ (55,583)
2024	\$ (55,605)
2025	\$ (55,599)
Thereafter	\$ (80,876)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended August 31, 2020, the subsidy payment received by TRS-Care on behalf of the District was \$9,986.

K. Employee Health Care Coverage

During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2020

The contract between the District and the licensed insurer is renewable August 31st, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the licensed insurer are available for the year ended December 31, 2019, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

L. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2020.

M. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for Special Revenue with the following school districts:

Member Districts

Loop ISD
New Home ISD
O'Donnell ISD
Plains ISD
Seagraves ISD
Tahoka ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Tahoka ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

N. Subsequent Events

There has been no significant subsequent event which would have a material effect on the financial statements as of the Independent Auditor's Report date.

O. Self-Insured Insurance

In September 1993, the District joined the North Texas Educational Insurance Association, a public entry risk pool currently operating as a common risk management and insurance program for Workers' Compensation. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the North Texas Educational Insurance Association provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$225,000 for each insured event. The pooling agreement requires the pool to be self-sustaining. The District estimates a contingent liability of \$19,022.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

The District is a member of TASB Risk Management Fund, a public entity risk pool currently operating as a common risk management and insurance program for Unemployment Compensation and Property/Casualty coverage. The agreement for formation of the TASB Risk Management Fund provides that the pool will be self-sustaining through member premiums. The District participates in the Fund's one year fully funded plan. As such, the District is not responsible for any additional amount of claims liability; therefore, no contingent liability exists.

The Fund was created and is operated under the provisions of the Interlocal Cooperative Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property/Liability Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the current fiscal year, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

P. Nonmonetary Transactions

The District received food commodities from the Federal Government. The cost basis is determined by the U.S. Dept of Agriculture and recorded on the District's books at that cost (GAAP Basis). There are no related gains or losses associated with this transaction.

The District received Personal Protection Equipment from the Federal Government. The cost basis is determined by the Texas Education Agency and is recorded on the District's books at that cost (Gaap Basis). There are no related gains or losses associated with this transaction.

Q. Tax Abatement

On December 9, 2019, the Wellman-Union ISD Board of Trustees approved an Agreement with Algodon Solar Energy LLC for the Limitation On Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code. Algodon Solar Energy LLC qualified for a tax limitation agreement under Texas Tax Code 313.024(b)(5), as a renewable energy electric generation project.

Value limitation agreements are a part of the state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant, including Algodon Solar Energy LLC has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustee's and the Texas State Comptroller's Office, which recommended the approval of the project.

The agreement was for Algodon Solar Energy to invest capital of \$180,000,000 on a long-term basis for a valuation of \$20,000,000. The District is projected to receive a revenue protection payment in tax year 2023 (school year 2023-24) in the estimated amount of \$1,392,698.

There is no recapture provision in the event of termination of this Agreement by Algodon Solar Energy LLC.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

School Year: 2019-2020

Project Value:	\$	0
Project Value Limitation Amount:	\$	0
Amount of CDFS (M&O) Taxes Paid:	\$	0
Amount of CDFS (M&O) Taxes Abated:	\$	0
CDFS Revenue Loss Payment to LISD:	\$	0
CDFS Supplemental Payment to LISD:	\$	0

R. Budgetary Compliance

The overexpenditures in the Debt Service Fund were due to unbudgeted bond issuance costs. This was due to a bond issuance at the very end of August 2020. This issuance cost was paid from bond proceeds recorded in Other Financing Sources.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT G-1

Page 1 of 2

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		1 Original	2 Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,064,477	\$ 2,126,097	\$ 2,118,456	\$ (7,641)
5800	State Program Revenues	1,993,739	1,916,889	1,822,740	(94,149)
5900	Federal Program Revenues	5,000	8,600	8,600	39
5020	Total Revenues	4,063,216	4,051,586	3,949,806	(101,751)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	1,919,065	1,828,265	1,776,915	52,350
0012	Instructional Resources and Media Services	3,332	3,332	2,684	448
0013	Curriculum and Staff Development	11,100	11,100	8,065	3,045
	Total Instruction & Instr. Related Services	1,933,497	1,842,697	1,786,854	55,843
Instructional and School Leadership:					
0023	School Leadership	262,270	231,670	229,184	2,486
	Total Instructional & School Leadership	262,270	231,670	229,184	2,486
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	44,768	44,568	43,780	788
0033	Health Services	12,930	17,130	15,146	1,984
0034	Student (Pupil) Transportation	164,955	132,455	118,176	14,280
0036	Cocurricular/Extracurricular Activities	246,155	234,055	214,196	19,859
	Total Support Services - Student (Pupil)	468,808	428,208	391,297	36,911
Administrative Support Services:					
0041	General Administration	313,590	282,390	278,640	3,750
	Total Administrative Support Services	313,590	282,390	278,640	3,750
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	589,145	535,745	525,746	9,999
0052	Security and Monitoring Services	3,500	4,500	1,587	2,913
0053	Data Processing Services	109,305	105,305	103,706	1,599
	Total Support Services - Nonstudent Based	701,950	645,550	631,039	14,511
Capital Outlay:					
0081	Capital Outlay	200,000	483,230	483,016	214
	Total Capital Outlay	200,000	483,230	483,016	214
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	85,100	72,100	72,099	1
0099	Other Intergovernmental Charges	50,300	41,300	40,494	806
	Total Intergovernmental Charges	135,400	113,400	112,593	807
6030	Total Expenditures	4,015,515	4,027,145	3,912,623	114,522
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	47,701	24,441	37,212	12,771

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	Other Financing Sources (Uses):				
8911	<i>Transfers Out</i>	(47,701)	(47,701)	(35,491)	12,210
7080	Total Other Financing Sources and (Uses)	(47,701)	(47,701)	(35,491)	12,210
1200	Net Change in Fund Balance	0	(23,260)	1,721	24,981
0100	Fund Balance - Beginning	3,389,516	3,389,516	3,389,516	0
3000	Fund Balance - Ending	\$ 3,389,516	\$ 3,366,256	\$ 3,391,237	\$ 24,981

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year Ended August 31,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.001%	0.002%	0.001%	0.001%	0.001%	0.001%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net pension liability (asset)	\$ 765,641	\$ 874,618	\$ 457,227	\$ 496,076	\$ 489,120	\$ 191,014	\$ 0	\$ 0	\$ 0	\$ 0
State's proportionate share of the net pension liability (asset) associated with the District	1,538,534	1,614,355	912,185	1,114,332	1,068,368	931,812	0	0	0	0
Total	\$ 2,304,175	\$ 2,488,973	\$ 1,369,412	\$ 1,610,408	\$ 1,557,488	\$ 1,122,826	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 1,934,646	\$ 1,789,889	\$ 1,700,084	\$ 1,642,744	\$ 1,593,751	\$ 1,551,101	\$ 0	\$ 0	\$ 0	\$ 0
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	39.58%	48.86%	26.89%	30.20%	30.69%	12.31%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%	0.00%	0.00%	0.00%	0.00%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year Ended August 31,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 68,331	\$ 51,602	\$ 45,768	\$ 49,234	\$ 43,019	\$ 42,208	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in relation to the contractually required contribution	(68,331)	(51,602)	(45,768)	(49,234)	(43,019)	(42,208)	0	0	0	0
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 2,103,334	\$ 1,934,646	\$ 1,789,889	\$ 1,700,084	\$ 1,642,744	\$ 1,593,751	\$ 0	\$ 0	\$ 0	\$ 0
Contributions as a percentage of covered-employee payroll	3.25%	2.67%	2.56%	2.90%	2.62%	2.65%	0.00%	0.00%	0.00%	0.00%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year Ended August 31,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the collective net OPEB liability	0.002%	0.003%	0.002%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the collective net OPEB liability	\$ 1,125,771	\$ 1,449,672	\$ 991,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State proportionate share of the collective net OPEB liability associated with the District	\$ 1,495,897	\$ 1,539,342	\$ 1,295,394	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 2,621,668	\$ 2,989,014	\$ 2,286,484	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 1,934,646	\$ 1,789,889	\$ 1,700,084	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	58.19%	80.99%	58.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year Ended August 31,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutory or contractually required District contribution	\$ 22,085	\$ 16,905	\$ 20,037	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions recognized by OPEB in relation to statutory or contractually required contribution	(22,085)	(16,905)	(20,037)	0	0	0	0	0	0	0
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 2,103,334	\$ 1,934,646	\$ 1,789,889	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions as a percentage of covered-employee payroll	1.05%	0.87%	1.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

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

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2020

Post-Employment (OPEB) Benefit Plan

Changes of benefit terms

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

Changes of assumptions

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

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

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2020

Year Ended August 31	1 Tax Rates		2	3 Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service		
2011 and Prior Years	\$ Various	\$ Various		\$ Various
2012	1.12		0	190,997,367
2013	1.04		0	267,701,735
2014	1.04	.381		271,268,782
2015	1.04	.381		333,461,001
2016	1.04	.455		233,266,489
2017	1.0829	.505		174,135,162
2018	1.0719	.516		184,587,589
2019	1.0781	.516		215,541,047
2020 (School Year Under Audit)	1.0081	.541		199,922,035

1000 Totals

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

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
\$ 7,386	\$ 0	\$ 565	\$ 0	\$ 0	\$ 6,821
1,172	0	94	0	0	1,078
1,089	0	371	0	0	718
834	0	274	101	0	469
3,877	0	373	137	0	3,367
2,153	0	183	80	0	1,890
2,323	0	511	238	0	1,574
6,149	0	3,005	1,446	0	1,698
28,173	0	11,515	5,511	0	8,147
0	3,044,462	1,931,630	1,037,661	0	75,171
<u>\$ 48,156</u>	<u>\$ 3,044,462</u>	<u>\$ 1,948,521</u>	<u>\$ 1,045,174</u>	<u>\$ 0</u>	<u>\$ 98,923</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT J-2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual	Actual		
	Original	Final				
REVENUES:						
5700	<i>Local and Intermediate Sources</i>		\$ 42,000	\$ 42,000	\$ 43,764	\$ 1,764
5800	<i>State Program Revenues</i>		6,095	6,095	5,676	(419)
5900	<i>Federal Program Revenues</i>		111,985	111,985	109,454	(2,531)
5020	Total Revenues		160,080	160,080	158,894	(1,186)
EXPENDITURES:						
Current:						
Support Services - Student (Pupil):						
0035	<i>Food Services</i>		207,781	207,781	180,935	26,846
	Total Support Services - Student (Pupil)		207,781	207,781	180,935	26,846
6030	Total Expenditures		207,781	207,781	180,935	26,846
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures		(47,701)	(47,701)	(22,041)	25,660
Other Financing Sources (Uses):						
7915	<i>Transfers In</i>		47,701	47,701	22,041	(25,660)
7080	Total Other Financing Sources and (Uses)		47,701	47,701	22,041	(25,660)
0100	Fund Balance - Beginning		0	0	0	0
3000	Fund Balance - Ending		0	0	0	0

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	1		2		3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual	
	Original	Final	Original	Final		
REVENUES:						
5700	Local and Intermediate Sources		\$ 1,053,550	\$ 1,053,050	\$ 1,050,209	\$ (2,841)
5800	State Program Revenues		0	2,000	3,018	1,018
5020	Total Revenues		<u>1,053,550</u>	<u>1,055,050</u>	<u>1,053,227</u>	<u>(1,823)</u>
EXPENDITURES:						
Debt Service:						
0071	Principal on Long-Term Debt		0	195,000	195,000	0
0072	Interest on Long-Term Debt		0	849,557	849,557	0
0073	Bond Issuance Costs and Fees		1,045,007	1,950	274,456	(272,506)
	Total Debt Service		<u>1,045,007</u>	<u>1,046,507</u>	<u>1,319,013</u>	<u>(272,506)</u>
6030	Total Expenditures		<u>1,045,007</u>	<u>1,046,507</u>	<u>1,319,013</u>	<u>(272,506)</u>
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures		<u>8,543</u>	<u>8,543</u>	<u>(265,786)</u>	<u>(274,329)</u>
Other Financing Sources (Uses):						
7911	Capital-Related Debt Issued (Regular Bonds)		0	0	19,237,205	19,237,205
8949	Other Uses - Payment to Escrow Agent		0	0	(18,960,128)	(18,960,128)
7080	Total Other Financing Sources and (Uses)		<u>0</u>	<u>0</u>	<u>277,077</u>	<u>277,077</u>
1200	Net Change in Fund Balance		<u>8,543</u>	<u>8,543</u>	<u>11,291</u>	<u>2,748</u>
0100	Fund Balance - Beginning		198,638	198,638	198,638	0
3000	Fund Balance - Ending		<u>\$ 207,181</u>	<u>\$ 207,181</u>	<u>\$ 209,929</u>	<u>\$ 2,748</u>

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Member of Texas Society of CPA's and American Institute of CPA's

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
Wellman-Union Independent School District
P.O. Box 69
Wellman, Texas 79378

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wellman-Union Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise Wellman-Union Independent School District's basic financial statements, and have issued our report thereon dated November 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wellman-Union 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 Wellman-Union Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wellman-Union Independent School District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Webb Webb & Wright CPA's, PLLC

Littlefield, TX
November 25, 2020

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported	
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	

B. Financial Statement Findings

None

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

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

None

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2020

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered to not have made timely payments.)	Yes
	Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 0