

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2021

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended August 31, 2021

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WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

ANNUAL FINANCIAL REPORT  
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## INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Wellman-Union I.S.D.  
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 \_\_\_ approved \_\_\_ disapproved (check one) for the year ended August 31, 2021 at a meeting of the Board of Trustees of such school district on the 8<sup>th</sup> day of November, 2021.

\_\_\_\_\_  
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

# Terry & King, CPAs, P.C.

5707 114<sup>th</sup> Street  
P.O. Box 93550  
Lubbock, TX 79493-3550

Randel J. Terry, CPA  
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 832-1128

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## Independent Auditors' Report on Financial Statements

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

Members of the Board of Trustees:

### ***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, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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



### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wellman-Union Independent School District, as of August 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules, 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 accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

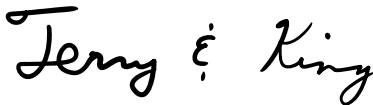
This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021, on our consideration of the 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 the Wellman-Union Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
October 15, 2021

## MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Wellman-Union Independent School District’s annual financial report presents our discussion and analysis of the District’s financial performance during the year ended August 31, 2021. Please read it in conjunction with the District’s financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District’s total combined net position was \$2,877,099 at August 31, 2021.
- During the year ended August 31, 2021, the District’s expenses were \$490,157 less than the \$5,961,695 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$3,864,193.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-1F, Required Components of the District’s Annual Financial Report**

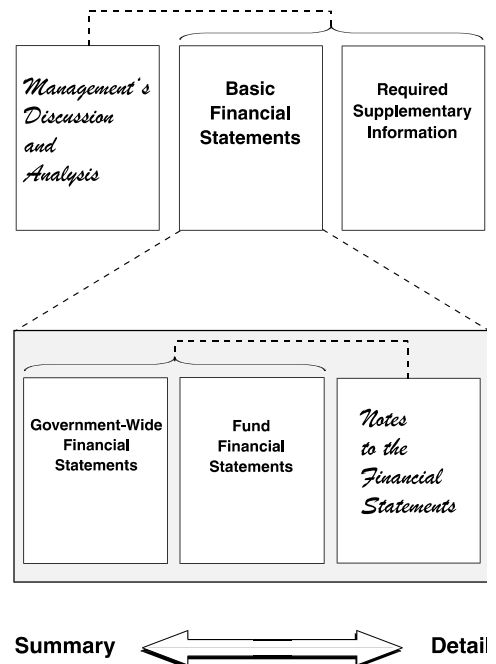


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

Type of Statements	Fund Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>◆ Statement of net assets</li> <li>◆ Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>◆ Balance sheet</li> <li>◆ Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>◆ Statement of fiduciary net assets</li> <li>◆ Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$2,877,099 at August 31, 2021. (See Table A-1).

Table A-1  
Wellman-Union Independent School District's Net Position

	Governmental Activities		Percentage Change
	August 31, 2021	August 31, 2020	
<b>Current assets:</b>			
Cash and cash equivalents	4,383,061	4,092,836	7%
Due from other governments	465,986	33,883	1275%
Taxes Receivable, net	61,236	79,138	-23%
Inventories	684	1,298	-47%
Other current assets	3,000	3,000	0%
Total current assets:	4,913,967	4,210,155	17%
<b>Noncurrent assets:</b>			
Land	112,894	112,894	0%
Construction in Progress	9,012	445,572	-98%
Buildings & Improvements	21,321,933	20,754,907	3%
Less accumulated depreciation, buildings & improvements	(2,890,344)	(2,462,846)	17%
Vehicles	896,604	891,228	1%
Less accumulated depreciation, vehicles	(703,581)	(686,231)	3%
Furniture & Equipment	317,233	310,438	2%
Less accumulated depreciation, furniture & equipment	(256,146)	(244,798)	5%
Total noncurrent assets	18,807,605	19,121,164	-2%
Total Assets	23,721,572	23,331,319	2%
<b>Deferred Outflow of Resources:</b>			
Deferred Resource Outflow - Pension	441,950	429,575	3%
Deferred Resource Outflow - OPEB	698,374	439,721	59%
Deferred charge on bond defeasance	2,055,511	2,131,641	-4%
Total Deferred Outflow of Resources	3,195,835	3,000,937	6%
<b>Current liabilities:</b>			
Accounts Payable	35,741	4,919	627%
Bond Interest Payable	-	6,898	-100%
Accrued liabilities	169,685	143,936	18%
Unearned Revenue	443,452	380,996	16%
<b>Long-term liabilities:</b>			
Net Pension Liability	887,153	765,641	16%
Net OPEB Liability	1,104,570	1,125,771	-2%
Due within one year	526,614	402,623	31%
Due in more than one year	17,108,495	17,582,362	-3%
Premium on bond issuance	2,559,994	2,617,931	-2%
Total Liabilities	22,835,704	23,031,077	-1%
<b>Deferred Inflow of Resources:</b>			
Deferred Resource Inflows	1,204,604	938,199	28%
<b>Net Position:</b>			
Net investment in capital assets	1,885,218	649,889	190%
Restricted - Debt Service	323,184	209,929	54%
Unrestricted	668,697	1,503,162	-56%
Total Net Position	2,877,099	2,362,980	22%

\$323,184 of the District's net position is restricted for the retirement of bonded debt.

**Changes in net position.** The District's total revenues for the year ended August 31, 2021 were \$5,961,695. A significant portion, 38 percent, of the District's revenue comes from taxes. (See Figure A-3.) 57 percent comes from state aid and federal program grants, while only 3 percent relates to charges for services.

The total cost of all programs and services was \$5,471,538; 47 percent of these costs are for instruction.

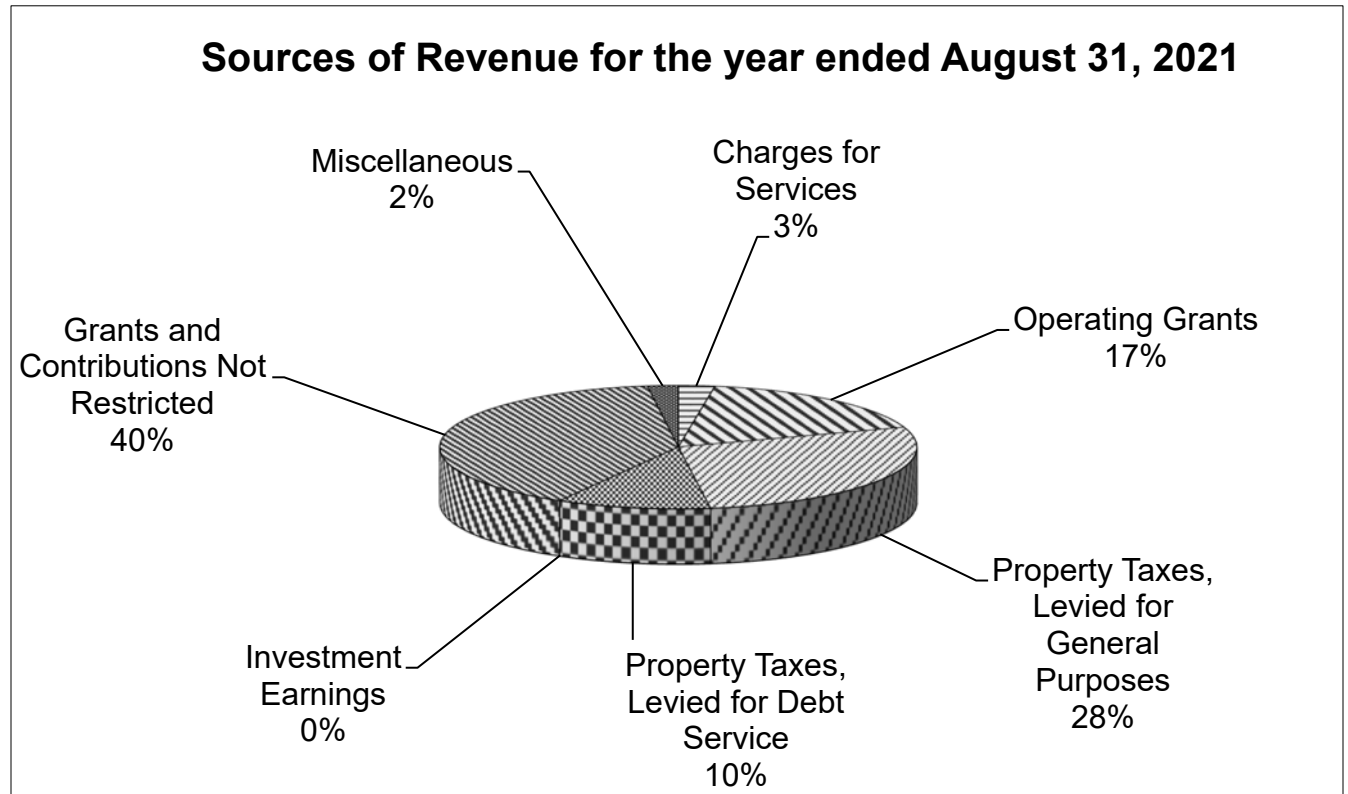


Figure A-3

**Governmental Activities**

- Property tax rates decreased from \$1,5491to \$1.4051 per \$100 valuation. Tax revenues collected during the year ended August 31, 2021 were \$2,110,421 compared to \$2,993,695 in the fiscal year ended August 31, 2020. Decreasing property values resulted in the tax levy decreasing 31% from \$3,044,462 in the prior period to \$2,107,811 in the current period.

Table A-2  
Changes in Wellman-Union Independent School District's Net Position

	Governmental Activities		Percentage Change
	<u>August 31, 2021</u>	<u>August 31, 2020</u>	
Program Revenues:			
Charges for Services	146,287	72,239	103%
Operating Grants and Contributions	1,033,966	616,259	68%
General Revenues:			
Property Taxes, Levied for General Purposes	1,672,141	2,012,766	-17%
Property Taxes, Levied for Debt Service	620,088	1,050,209	-41%
Grants and Contributions not restricted	2,364,653	1,673,705	41%
Investment Earnings	660	46,443	-99%
Other	123,900	178,613	-31%
Total Revenues	<u>5,961,695</u>	<u>5,650,234</u>	6%
Instruction	2,593,440	2,516,288	3%
Instructional Resources and Media Services	2,412	2,919	-17%
Curriculum Development and Instructional Staff Development	17,276	17,860	-3%
Instructional Leadership	5,433	5,215	4%
School Leadership	259,628	254,570	2%
Guidance, Counseling and Evaluation Services	43,749	47,302	-8%
Health Services	34,058	15,950	114%
Student (Pupil) Transportation	147,194	182,420	-19%
Food Services	232,482	190,347	22%
Curricular/Extracurricular Activities	282,400	237,595	19%
General Administration	395,394	303,662	30%
Plant Maintenance & Operation	707,398	488,979	45%
Security & Monitoring Services	3,812	3,620	5%
Data Processing Services	119,523	108,112	11%
Debt Service Interest	447,806	819,518	-45%
Bond Issuance Costs and Fees	76,580	274,456	-72%
Capital Outlay	-	7,479	-100%
Payments to Member Districts of SSA	71,881	72,099	0%
Other Intergovernmental Charges	31,072	40,494	-23%
Total Expenses	<u>5,471,538</u>	<u>5,588,885</u>	-2%
Increase (Decrease) in Net Position	490,157	61,349	699%
Net Position - Beginning	2,362,980	2,301,631	3%
Change in GASB Standard	23,962		
Net Position - Ending	<u><u>2,877,099</u></u>	<u><u>2,362,980</u></u>	22%

Table A-3 presents the cost of each of the District’s largest functions as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities for the year ended August 31, 2021 was \$5,471,538.
- The amount that our taxpayers paid for these activities through property taxes was \$2,292,229.
- Some of the cost was paid by those who directly benefited from the programs \$146,287, or
- By grants and contributions \$3,398,619.

**Table A-3**  
Net Cost of Selected District Functions

	Total Cost of Services			Net Cost of Services		
	August 31, 2021	August 31, 2020	% Change 2020-2021	August 31, 2021	August 31, 2020	% Change 2020-2021
Instruction	2,593,440	2,516,288	3%	1,953,775	2,124,654	(8%)
School Leadership	259,628	254,570	2%	140,399	225,253	(38%)
General Administration	395,394	303,662	30%	378,148	294,552	28%
Plant Maintenance & Operations	707,398	488,979	45%	618,727	455,889	36%
Debt Service – Interest & Charges	447,806	819,518	(45%)	444,744	816,500	(46%)

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

Revenues from governmental fund types totaled \$5,931,153 for the year ended August 31, 2021, an increase of 10% over the preceding fiscal year. Local revenues decreased 20% or \$635,869. State revenues increased 36% from \$1,855,047 in the prior period to \$2,525,591. Federal revenues increased 166% from \$311,893 to \$829,002.

**General Fund Budgetary Highlights**

- Over the course of the year, the District revised its budget 1 time. Due to these adjustments, the District was able to stay within its expense budget in all functional areas. Revenues were \$82,169 more than budgeted.



## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At August 31, 2021, the District had invested \$22,657,676 in a broad range of capital assets, including, land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$142,637 or 1 percent over last year.

**Table A-4**

#### District's Capital Assets

	Governmental Activities		Total Percentage Change
	<u>2021</u>	<u>2020</u>	<u>2020-2021</u>
Land	\$ 112,894	\$ 112,894	0%
Construction in progress	9,012	445,572	(98%)
Buildings and improvements	21,321,933	20,754,907	3%
Vehicles	896,604	891,228	1%
Furniture & Equipment	317,233	310,438	2%
Totals at historical cost	<u>22,657,676</u>	<u>22,515,039</u>	<u>1%</u>
Total accumulated depreciation	3,850,071	3,393,870	13%
Net capital assets	<u>\$ 18,807,605</u>	<u>\$ 19,121,169</u>	<u>(2%)</u>

More detailed information about the District's capital assets is presented in the notes to the financial statements.

### Debt Administration

Changes in long-term obligations for the year ended August 31, 2021 are as follows:

**Table A-5**

#### District's Long-Term Debt

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 17,984,985	\$ -	\$ 402,623	\$ 17,582,362	\$ 526,615
Accum Accretion on CAB's	-	54,430	1,682	52,748	-
Premium on Bonds	2,617,931	-	57,937	2,559,994	-
Net Pension Liability	765,641	189,857	68,345	887,153	-
Net OPEB Liability	<u>1,125,771</u>	<u>884</u>	<u>22,085</u>	<u>1,104,570</u>	<u>-</u>
Total governmental activities	<u>\$ 22,494,328</u>	<u>\$ 245,171</u>	<u>\$ 552,672</u>	<u>\$ 22,186,827</u>	<u>\$ 526,615</u>

More detailed information about the District's long-term obligations is presented in the notes to the financial statements.  
**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Appraised value used for the 2022 budget preparation is about the same as 2021.
- General operating fund spending decreases in the 2022 budget.
- The District's 2022 refined average daily attendance is expected to increase slightly.

These indicators were taken into account when adopting the general fund budget for 2022. Property taxes will increase slightly due to the increasing values. State revenue will increase slightly. The District will use these increases in revenues to finance programs we currently offer.

If these estimates are realized, the District's budgetary general fund fund balance is expected to remain appreciably the same by the close of 2022.

#### **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 demonstrate 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 Services Department.

## BASIC FINANCIAL STATEMENTS

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

STATEMENT OF NET POSITION  
August 31, 2021

1

Data Control Codes		Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 4,383,061
1225	Taxes Receivable, Net	61,236
1240	Due from Other Governments	465,986
1390	Inventories	684
1490	Other Current Assets	3,000
	Capital Assets:	
1510	Land	112,894
1520	Buildings & Improvements, net	18,431,590
1530	Furniture & Equipment, net	254,109
1580	Construction in Progress	9,012
1000	<u>Total Assets</u>	<u>\$ 23,721,572</u>
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred Charge on Bond Defeasance	\$ 2,055,511
1710	Deferred Outflows - Pension	441,950
1711	Deferred Outflows - OPEB	698,374
	<u>Total Deferred Outflows of Resources</u>	<u>\$ 3,195,835</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	\$ 35,741
2160	Accrued Wages Payable	165,018
2200	Accrued Expenses	4,667
2300	Unearned Revenue	443,452
	Noncurrent Liabilities	
2501	Due within one year	526,614
2502	Due in more than one year	17,108,495
2540	Net Pension Liability	887,153
2545	Net OPEB Liability	1,104,570
2590	Premium on bond issuance	2,559,994
2000	<u>Total Liabilities</u>	<u>22,835,704</u>
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflows - Pension	142,431
2606	Deferred Inflows - OPEB	1,062,173
	<u>Total Deferred Inflows of Resources</u>	<u>1,204,604</u>
	NET POSITION:	
3200	Net investment in capital assets	1,885,218
	Restricted:	
3850	Debt Service	323,184
3900	Unrestricted	668,697
3000	<u>TOTAL NET POSITION</u>	<u>\$ 2,877,099</u>

The accompanying notes are an integral part of this statement.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2021

Data		1	3	4	Net (Expense)
Control			Program Revenues		Revenue and
			Charges for	Grants and	Changes in
Codes	Functions/Programs	Expenses	Services	Contributions	Net Position
	Government Activities:				
11	Instruction and Instruction-Related Services	\$ 2,593,440	\$ -	\$ 639,665	\$ (1,953,775)
12	Instructional Resources and Media Services	2,412	-	-	(2,412)
13	Curriculum Development and Instructional Staff Development	17,276	-	10,470	(6,806)
21	Instructional Leadership	5,433	-	5,433	-
23	School Leadership	259,628	-	119,229	(140,399)
31	Guidance, Counseling, & Evaluation Services	43,749	-	5,820	(37,929)
33	Health Services	34,058	-	7,127	(26,931)
34	Student (Pupil) Transportation	147,194	-	7,886	(139,308)
35	Food Services	232,482	40,573	124,209	(67,700)
36	Extracurricular Activities	282,400	88,229	8,161	(186,010)
41	General Administration	395,394	-	17,246	(378,148)
51	Plant Maintenance and Operations	707,398	17,485	71,186	(618,727)
52	Security and Monitoring Services	3,812	-	1,649	(2,163)
53	Data Processing	119,523	-	12,823	(106,700)
72	Interest on Long-Term Debt	447,806	-	3,062	(444,744)
73	Other Debt Service Fees	76,580	-	-	(76,580)
93	Payments to Shared Service Arrangements	71,881	-	-	(71,881)
99	Other Intergovernmental Charges	31,072	-	-	(31,072)
TG	<u>Total Government Activities</u>	<u>5,471,538</u>	<u>146,287</u>	<u>1,033,966</u>	<u>(4,291,285)</u>
TP	Total Primary Government	<u>5,471,538</u>	<u>146,287</u>	<u>1,033,966</u>	<u>(4,291,285)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				1,672,141
DT	Property Taxes, Levied for Debt Service				620,088
IE	Investment Earnings				660
GC	Grants and Contributions Not Restricted to Specific Programs				2,364,653
MI	Miscellaneous				114,900
S1	Gain on Sale of Assets				9,000
TR	Total General Revenue				<u>4,781,442</u>
CN	Change in Net Position				490,157
NB	Net Position -- Beginning				2,362,980
PA	Prior Period Adjustment				<u>23,962</u>
NE	Net Position -- Ending				<u>\$ 2,877,099</u>

The accompanying notes are an integral part of this statement.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS  
August 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 4,034,595	\$ 301,656	\$ 46,809	\$ 4,383,060
1225	Taxes Receivable, Net	41,012	20,224	-	61,236
1240	Due from Other Governments	2,669	1,304	462,013	465,986
1260	Due from Other Funds	439,429	-	-	439,429
1390	Inventories	684	-	-	684
1490	Other Current Assets	3,000	-	-	3,000
1000	<u>TOTAL ASSETS</u>	<u>\$ 4,521,389</u>	<u>\$ 323,184</u>	<u>\$ 508,822</u>	<u>\$ 5,353,395</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 20,787	\$ -	\$ 14,954	\$ 35,741
2160	Accrued Wages Payable	148,581	-	16,437	165,018
2170	Due to Other Funds	-	-	439,429	439,429
2200	Accrued Expenditures	3,364	-	1,303	4,667
2300	Unearned Revenue	443,452	-	-	443,452
2000	<u>Total Liabilities</u>	<u>616,184</u>	<u>-</u>	<u>472,123</u>	<u>1,088,307</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
2601	Unavailable Revenue - Property Taxes	41,012	20,224	-	61,236
	<u>Total Deferred Inflows of Resources</u>	<u>41,012</u>	<u>20,224</u>	<u>-</u>	<u>61,236</u>
<b>FUND BALANCES:</b>					
Restricted Fund Balances:					
3410	Inventories	684	-	-	684
3480	Debt Service	-	302,960	-	302,960
Assigned Fund Balances:					
3550	Construction	700,000	-	-	700,000
3570	Capital Expenditures for Equipment	100,000	-	-	100,000
3580	Self Insurance	20,000	-	-	20,000
3590	Other Assigned Fund Balances	100,000	-	36,699	136,699
3600	Unassigned	2,943,509	-	-	2,943,509
3000	<u>Total Fund Balance</u>	<u>3,864,193</u>	<u>302,960</u>	<u>36,699</u>	<u>4,203,852</u>
4000	<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	<u>\$ 4,521,389</u>	<u>\$ 323,184</u>	<u>\$ 508,822</u>	<u>\$ 5,353,395</u>

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
August 31, 2021

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 4,203,852
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,807,605
2 Other long-term assets are not available to pay for current-period expenditures and therefore are unearned in the funds.	61,237
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(17,635,109)
4 The amount of premium/discount on bonds is required to be recognized in the statement of net position.	(2,559,994)
5 The net charge related to the defeasance of bonds is reported as a deferred outflow of resources on the statement of net position.	2,055,511
6 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$441,950, a deferred resource inflow in the amount of \$142,431, and a net pension liability in the amount of \$887,153. This resulted in a decrease in net position.	(587,634)
7 Included in the items related to debt is the recognition of the District's proportionate share of the OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$698,374, a deferred resource inflow in the amount of \$1,062,173, and a net OPEB liability in the amount of \$1,104,570. This resulted in a decrease in net position	<u>(1,468,369)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 2,877,099</u>

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--  
GOVERNMENTAL FUNDS  
For the Year Ended August 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>REVENUES:</b>					
5700	\$ 1,831,056	\$ 626,435	\$ 119,069	\$ 2,576,560	
5800	2,495,606	3,062	26,923	2,525,591	
5900	26,087	-	802,915	829,002	
5020	<u>4,352,749</u>	<u>629,497</u>	<u>948,907</u>	<u>5,931,153</u>	
<b>EXPENDITURES:</b>					
Current:					
0011	1,701,691	-	511,234	2,212,925	
0012	2,412	-	-	2,412	
0013					
	Staff Development	6,806	10,470	17,276	
0021	-	-	5,433	5,433	
0023	141,464	-	102,529	243,993	
0031	39,108	-	3,088	42,196	
0033	28,029	-	4,779	32,808	
0034	164,184	-	2,316	166,500	
0035	-	-	200,747	200,747	
0036	191,445	-	60,515	251,960	
0041	337,647	-	4,632	342,279	
0051	565,293	-	61,010	626,303	
0052	2,163	-	1,649	3,812	
0053	111,400	-	5,000	116,400	
0071	-	402,623	-	402,623	
0072	-	459,893	-	459,893	
0073	-	450	-	450	
0081	130,466	-	-	130,466	
0093	71,881	-	-	71,881	
0099	31,072	-	-	31,072	
6030	<u>3,525,061</u>	<u>862,966</u>	<u>973,402</u>	<u>5,361,429</u>	
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	827,688	(233,469)	(24,495)	569,724
Other Financing Sources and (Uses):					
7912	9,000	-	-	9,000	
7915	-	326,500	37,232	363,732	
8911	(363,732)	-	-	(363,732)	
	<u>(354,732)</u>	<u>326,500</u>	<u>37,232</u>	<u>9,000</u>	
1200	Net Change in Fund Balances	472,956	93,031	12,737	578,724
0100	Fund Balances -- Beginning	3,391,237	209,929	-	3,601,166
1300	Prior Period Adjustment	-	-	23,962	23,962
3000	<u>Fund Balances -- Ending</u>	<u>\$ 3,864,193</u>	<u>\$ 302,960</u>	<u>\$ 36,699</u>	<u>\$ 4,203,852</u>



WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

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, 2021

Net Change in Fund Balances -- Total Governmental Funds \$ 578,724

Amounts reported for governmental activities in the statement of activities ("SOA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period. 180,844

The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets. (494,407)

Certain property tax revenues are unearned in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts changed during the current period. (17,902)

The accretion of interest on capital appreciation bonds is not reported in the funds. This is the amount of increase in accrued interest expense for the year. (52,748)

For the statement of net position, the amortization of bond premiums is recognized over the life of the bonds. This is the amount of the current amortization. 57,937

Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid for capital leases, loans & bonded indebtedness. 402,623

Accrued interest expense is not reported in the funds. This is the amount of change in accrued interest expense. 6,904

The net charge related to the defeasance of bonds is reported as a deferred outflow of resources on the statement of net position, and amortized over the life of the bonds. This is the amount of change in deferred charge on bond defeasance. (76,130)

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 \$76,657. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$62,991. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$133,125. The net result is a decrease in the change in net position. (89,754)

GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$21,188. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$18,331. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$37,644. The result is an increase in the change in net position. (5,934)

Change in Net Position of Governmental Activities -- Statement of Activities \$ 490,157

The accompanying notes are an integral part of this statement.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
August 31, 2021

<u>Data Control Codes</u>		<u>860 Custodial Funds</u>
		<u>Student Activity</u>
	ASSETS:	
1110	Cash and Cash Equivalents	<u>\$ 24,082</u>
1000	TOTAL ASSETS	<u><u>\$ 24,082</u></u>
	NET POSITION:	
	Restricted for:	
	Students	<u>\$ 24,082</u>
	TOTAL NET POSITION	<u><u>\$ 24,082</u></u>

The accompanying notes are an integral part of this statement.

EXHIBIT E-2

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended August 31, 2021

	860 Custodial Funds <hr/> Student Activity <hr/>
ADDITIONS:	
Fundraising Activity	\$ 34,091
Total Additions	<hr/> 34,091
DEDUCTIONS:	
Student Activities	<hr/> 34,824
Total Deductions	<hr/> 34,824
Net Increase (Decrease) in Fiduciary Net Position	(733)
Net Position - Beginning	<hr/> 24,815
Net Position - Ending	<hr/> <hr/> \$ 24,082

The accompanying notes are an integral part of this statement.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS  
Year Ended August 31, 2021

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 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" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide 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 over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 2  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

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 of 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 is the District's fund for the collection of revenues from property taxes for the specific purpose of retiring loans and bonded indebtedness.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specific project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 3  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

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 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 the 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. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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. Revenues from grants, entitlements, and donations are 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, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 4  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

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, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State Statute. Capital projects are restricted by State Statute and are legally segregated for funding of capital improvements.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned: This classification represents amounts the District intends to use for a specific purpose, but does not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Specific amounts that are not restricted or committed in a special revenue fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Fund balance can be assigned by the Superintendent or their designee.

Unassigned: This classification includes the residual fund balance for the General Fund.

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.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 5  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

3. Financial Statement Amounts

a. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. The State Treasurer's Investment Pools are operated in accordance with appropriate state laws and regulations. The reported values of the pools are the same as the fair value of the pool shares (Level 1 inputs).

b. Property Taxes

Property taxes are levied by October 1 on assessed value listed as of the prior January 1<sup>st</sup> 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<sup>st</sup> of the year following the year in which imposed. On January 1<sup>st</sup> 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 are based upon historical experience in collecting property taxes. As of August 31, 2021, the amount deemed uncollectible by this estimate was \$23,008. 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  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 6  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

c. 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 the cost applicable to future periods and are recorded as prepaid items.

d. 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 the period end.

e. 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.

f. 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  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 7  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District currently has two items which qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District current has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

h. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the 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 estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-15
Computer Equipment	3

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 8  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

i. 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 on the government-wide statement of net position.

j. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

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

k. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 9  
Year Ended August 31, 2021

A. Summary of Significant Accounting Policies (Continued)

I. Data Control Codes

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

B. Stewardship, Compliance and Accountability

1. Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting and Reporting module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Child Nutrition Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

2. Fair Value Measurements

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 10  
Year Ended August 31, 2021

B. Stewardship, Compliance and Accountability (continued)

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

C. Deposits and Investments

Under Texas state law, 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 the 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.

Cash Deposits

At August 31, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$3,338,017 and the bank balance was \$3,296,291. The District's cash deposits at August 31, 2021 and during the period then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 11  
Year Ended August 31, 2021

C. Deposits and Investments (Continued)

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 principle 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 financial statements disclosed that in the areas of investment practices, management reports an 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.

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 101% of the investment's market value.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 12  
Year Ended August 31, 2021

C. Deposits and Investments (Continued)

As of August 31, 2021, the following are the District’s cash equivalents and investments with respective maturities and credit rating:

<u>Type of Investment</u>	<u>Book Value</u>	<u>Fair Value Measurement Using Significant Other Observable Inputs (Level2)</u>	<u>Maturity in Less Than 1 Year</u>	<u>Maturity In 1-2 Years</u>	<u>Credit Rating</u>
Cash	\$ 3,296,290	\$ -	\$ 3,296,290	\$ -	N/A
<i>Investments not Subject to Fair Value:</i>					
FDIC insured certificates of deposit	-	-	-	-	N/A
<i>Investments Measured at Fair Value</i>					
<i>Investment pools:</i>					
Texas Local Government Investment Pool	<u>1,110,852</u>	<u>-</u>	<u>1,110,852</u>	<u>-</u>	AAAm
Total cash and cash equivalents	<u>4,407,142</u>	<u>-</u>	<u>4,407,142</u>	<u>-</u>	

In accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for Investment Pools*, the District’s investments with a maturity date of greater than one year have been recorded at fair value based upon quoted market prices as of August 31, 2021 with increases or decreases in fair value being recorded as a component of earnings on investments.

Investment Pools are measured at amortized cost or fair value and are not subject to level reporting.

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 now 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.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 13  
Year Ended August 31, 2021

C. Deposits and Investments (Continued)

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.

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

Analysis of Specific Deposit and Investment Risks

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 agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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



WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 14  
Year Ended August 31, 2021

C. Deposits and Investments (Continued)

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.

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.

D. Capital Assets

Capital asset activity for the year ended August 31, 2021 was as follows:

<u>Government Activities</u>	Balance 09/01/20	Additions	Deletions/ Reclass	Balance 08/31/21
Land	\$ 112,894	\$ -	\$ -	\$ 112,894
Construction in Progress	445,572	9,012	(445,572)	9,012
Buildings & Improvements	20,754,907	121,454	445,572	21,321,933
Vehicles	891,228	43,583	(38,207)	896,604
Furniture & Equipment	310,438	6,795	-	317,233
Total Capital Assets	22,515,039	180,844	(38,207)	22,657,676
<u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	2,462,843	427,501	-	2,890,344
Vehicles	686,229	55,559	(38,207)	703,581
Furniture & Equipment	244,798	11,348	-	256,146
Total Accum. Depreciation	3,393,870	494,408	(38,207)	3,850,071
Net Capital Assets	\$ 19,121,169	\$ (313,564)	\$ -	\$ 18,807,605

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 15  
Year Ended August 31, 2021

D. Capital Assets (continued)

Depreciation was charges to functions as follows:

11-Instructions	\$ 292,237
34-Student (Pupil) Transportation	22,040
35-Food Service	26,574
36-Cocurricular/Extracurricular Activities	25,342
41-General Administration	45,309
51-Plant Maintenance & Operations	82,906
	<u>\$ 494,408</u>

E. Interfund Balances and Activities

Interfund balances at August 31, 2021 consisted of the following individual fund balances:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Special Revenue Funds	\$ 439,429	-
<u>Total General Fund</u>	<u>\$ 439,429</u>	<u>\$ -</u>
 <u>Special Revenue Funds:</u>		
General Fund	-	439,429
<u>Total</u>	<u>\$ 439,429</u>	<u>\$ 429,429</u>

These interfund receivables and payables were recorded to eliminate cash flow deficits of special revenue funds. All amounts due are scheduled to be repaid within one year.

F. Interfund Transfers

The General Fund transferred \$326,500 to the Debt Service Fund to fund the current and subsequent deficit in the debt service fund. The General Fund transferred \$37,232 to fund the deficit in the food service program.

G. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16  
Year Ended August 31, 2021

H. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. The District complied with all significant limitations and restrictions contained in the bond indentures.

1. Changes in long-term obligations for the year ended August 31, 2021, are as follows:

<u>Governmental</u> <u>Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
General obligation bonds	\$ 17,984,985	\$ -	\$ 402,623	\$ 17,582,362	\$ 526,615
Accum Accretion on CAB's	-	54,430	1,682	52,748	-
Premium on Bonds	2,617,931	-	57,937	2,559,994	-
Net Pension Liability	765,641	189,857	68,345	887,153	-
Net OPEB Liability	1,125,771	884	22,085	1,104,570	-
Total governmental activities	<u>\$ 22,494,328</u>	<u>\$ 245,171</u>	<u>\$ 552,672</u>	<u>\$ 22,186,827</u>	<u>\$ 526,615</u>

<u>General Obligation Bonds – Descriptions</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u> <u>Of Original</u> <u>Issue</u>	<u>Amount</u> <u>Outstanding</u> <u>8/31/2021</u>
Unlimited Tax School Building Bonds-Series 2013	3.00% to 5.25%	2-15-2024	\$ 18,997,298	\$ 1,150,000
Unlimited Tax Refunding Bonds-Series 2020*	0.697% to 4.00%	2-15-2048	16,634,985	16,432,362
				<u>\$ 17,582,362</u>

\* indicates capital appreciation bonds

<u>Capital Appreciation Bonds</u>		
<u>Series</u>	<u>Original</u> <u>Amount</u>	<u>Accreted</u> <u>8/31/2021</u>
2020	\$ 1,329,985	<u>\$ 1,180,110</u>
		<u>\$ 1,180,110</u>

2. Debt service requirements on general obligation bonds at August 31, 2021, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 526,615	\$ 501,878	\$ 1,028,493
2023	511,096	518,984	1,030,080
2024	494,412	525,268	1,019,680
2025	219,687	802,155	1,021,842
2026	176,878	844,964	1,021,842
2027-2031	1,663,674	3,439,737	5,103,411
2032-2036	3,550,000	1,558,376	5,108,376
2037-2041	3,970,000	1,132,629	5,102,629
2042-2046	4,505,000	605,856	5,110,856
2047-2051	1,965,000	76,102	2,041,102
	<u>\$ 17,582,362</u>	<u>\$ 10,005,949</u>	<u>\$ 27,588,311</u>

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 17  
Year Ended August 31, 2021

H. Defined Benefit Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/Pages/aboutpublications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698, or by calling (512) 542-6592.

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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes,

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 18  
Year Ended August 31, 2021

I. Pension Plan (continued)

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

In May, 2019, the 86<sup>th</sup> 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 13<sup>th</sup> 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86<sup>th</sup> 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>	
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
<b>Current Fiscal Year Employer Contributions</b>		<b>\$ 77,422</b>
<b>Current Fiscal Year Member Contributions</b>		<b>\$ 174,759</b>
<b>2020 Measurement Year NECE On-behalf Contributions</b>		<b>\$ 127,478</b>

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS, Page 19  
Year Ended August 31, 2021

I. Pension Plan (continued)

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.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- 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.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS, Page 20  
Year Ended August 31, 2021

I. Pension Plan (continued)

5. Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include Only federally tax-exempt municipal Bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2119
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

6. Discount Rate

The single discount rate of 7.25 percent 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 percent. 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 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 21  
Year Ended August 31, 2021

I. Pension Plan (continued)

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.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 are summarized below:

Asset Class	FY 2020 Target Allocation*	Long-Term Expected Geometric Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
U.S.	18%	3.9%	0.99%
Non-U.S. Developed	13%	5.1%	0.92%
Emerging Markets	9%	5.6%	0.83%
Private Equity	14%	6.7%	1.41%
<b>Stable Value</b>			
Government Bonds	16%	(0.7%)	(0.05%)
Absolute Return (Including Credit Sensitive Investments)	0%	1.8%	0.00%
Stable Value Hedge Funds	5%	1.9%	0.11%
<b>Real Return</b>			
Real Estate	15%	4.6%	1.02%
Energy, Natural Resources, and Infrastructure	6%	6.0%	0.42%
Commodities	0%	0.8%	0.00%
<b>Risk Parity</b>			
Risk Parity	8%	3.0%	0.30%
<b>Asset Allocation Leverage</b>			
Cash	2%	(1.5%)	(0.03%)
Asset Allocation Leverage	<u>(6%)</u>	(1.3%)	0.08%
<b>Total</b>	<u>100%</u>		
<b>Inflation Expectation</b>			<b>2.00%</b>
<b>Volatility Drag***</b>			<b>(0.67%)</b>
<b>Expected Return</b>			<b>7.33%</b>

\*Target allocations are based on the FY2020 policy model.

\*\*Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

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



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NOTES TO THE FINANCIAL STATEMENTS, Page 22  
Year Ended August 31, 2021

I. Pension Plan (continued)

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.

7. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	<u>1% Decrease in Discount Rate (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase in Discount Rate (8.25%)</u>
District's proportionate Share of the net pension liability:	\$ 1,367,975	\$ 887,153	\$ 496,497

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

At August 31, 2021, the District reported a liability of \$887,153 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 887,153
State's proportionate share that is associated with the District	<u>\$ 1,654,738</u>
Total	<u>\$ 2,541,891</u>

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 23  
Year Ended August 31, 2021

I. Pension Plan (continued)

At August 31, 2020 the employer’s proportion of the collective net pension liability was 0.0016564360% which was an increase of 0.0001835724% from its proportion measured as of August 31, 2019.

**Changes Since the Prior Actuarial Valuation**

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2021, the District recognized pension expense of \$366,204 and revenue of \$199,028 for support provided by the State.

At August 31, 2021, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 1,620	\$ 24,758
Changes in actuarial assumptions	\$ 205,851	\$ 87,526
Difference between projected and actual Investment earnings	\$ 17,959	\$ -
Changes in proportion and difference between The employer’s contributions and the Proportionate share of contributions	<u>\$ 139,098</u>	<u>\$ 30,147</u>
Total as of August 31, 2020 measurement date	\$ 364,528	\$ 142,431
Contributions paid to TRS subsequent to the measurement date	<u>\$ 77,422</u>	<u>\$ -</u>
Total as of fiscal year-end	<u>\$ 441,950</u>	<u>\$ 142,431</u>

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

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2022	\$ 62,139
2023	66,589
2024	62,635
2025	25,562
2026	1,593
Thereafter	3,579

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 24  
Year Ended August 31, 2021

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 with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

2. OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/Pages/about\\_publications.aspx](http://www.trs.texas.gov/Pages/about_publications.aspx); by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and 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.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 25  
Year Ended August 31, 2021

J. Defined Other Post-Employment Benefit Plans (continued)

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. There are no automatic post-employment benefit changes; including automatic COLAs.

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

**TRS-Care Monthly Premium Rates**  
**Effective January 1, 2019 – December 31, 2019**

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

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 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. 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.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 26  
Year Ended August 31, 2021

J. Defined Other Post-Employment Benefit Plans (continued)

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Current Fiscal Year Employer Contributions		\$ 21,326
Current Fiscal Year Member Contributions		\$ 14,752
2020 Measurement Year NECE On-behalf Contributions		\$ 29,677

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether 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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the total OPEB liability to August 31, 2020.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All 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.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 27  
Year Ended August 31, 2021

J. Defined Other Post-Employment Benefit Plans (continued)

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

Health Care Trend Rates – The initial medical trend rates were 9.00 percent for Medicare retirees and 7.30 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 13 years.

**Actuarial Methods and Assumptions**

Valuation Date	August 31, 2019, rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Ad hoc-post-employment benefit changes	None

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 28  
Year Ended August 31, 2021

J. Defined Other Post-Employment Benefit Plans (continued)

6. Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.30 percent 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate in the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 (2.33%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate (1.33%)</u>	<u>Discount Rate (2.33%)</u>	<u>1% Increase in Discount Rate (3.33%)</u>
District’s proportionate Share of the OPEB liability:	\$ 1,325,482	\$ 1,104,570	\$ 930,082

8. Healthcare Cost Trend Rates Sensitivity Analysis

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 healthcare cost trend rate.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District’s proportionate Share of the OPEB liability:	\$ 902,292	\$ 1,104,570	\$ 1,373,976

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 29  
Year Ended August 31, 2021

J. Defined Other Post-Employment Benefit Plans (continued)

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

At August 31, 2021, the District reported a liability of \$1,104,570 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	\$ 1,104,570
State’s proportionate share that is associated with the District	<u>\$ 1,484,278</u>
Total	<u>\$ 2,588,848</u>

The net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer’s proportion of the collective net OPEB liability was 0.0029056539% which was an increase of 0.0005251483% from its proportion measured as of August 31, 2019.

**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 changed from 2.63 percent as of August 31, 2019 to 2.33 percent, as of August 31, 2020. This change increased the total OPEB liability (TOL).
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress’ repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.



WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 30  
Year Ended August 31, 2021

J. Defined Other Post-Employment Benefit Plans (continued)

Changes 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, 2021, the District recognized OPEB expense of \$16,954 and revenue of \$(10,306) for support provided by the State.

At August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 57,835	\$ 505,508
Changes in actuarial assumptions	\$ 68,129	\$ 303,321
Difference between projected and actual investment earnings	\$ 358	\$ -
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>\$ 550,726</u>	<u>\$ 253,344</u>
Total as of August 31, 2020 measurement date	\$ 677,048	\$ 1,062,173
Contributions paid to TRS subsequent to the measurement date	<u>\$ 21,326</u>	<u>\$ -</u>
Total as of fiscal year-end	<u>\$ 698,374</u>	<u>\$ 1,062,173</u>

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

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2022	\$ (70,961)
2023	(71,009)
2024	(71,036)
2025	(71,028)
2026	(41,525)
Thereafter	(59,566)

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 31  
Year Ended August 31, 2021

K. Health Care Coverage

During the year ended August 31, 2021, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 per month per employee participating in the plan. Employees, at their option, authorized payroll deductions to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

L. Property/Casualty Insurance

During the year ended August 31, 2021, Wellman-Union ISD participated in the TASB Risk Management Fund's (the Fund's) Auto, Liability, and Property Programs.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas 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 its Auto, Liability, and Property Programs. 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 year ended August 31, 2021, the Fund anticipates that Wellman-Union ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

M. Unemployment Compensation Pool

During the year ended August 31, 2021, Wellman-Union ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation 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.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 32  
Year Ended August 31, 2021

M. Unemployment Compensation Pool (continued)

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool. For the year ended August 31, 2021, the Fund anticipates that Wellman-Union ISD has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

N. Medicare Part D

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 expenditures for eligible TRS-Care participants. The District's portion of subsidy reimbursements received by TRS for the years ended August 31, 2021, 2020, and 2019 were \$10,992, \$8,970, and \$6,950, respectively.

O. Litigation

From time to time the District is party to various legal proceedings which occur in the District's operations. These legal proceedings are not expected to have an adverse impact on the operations or affected funds of the District.

P. Vacation and Sick Leave Benefits

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability for vacation leave has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying financial statements.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 33  
Year Ended August 31, 2021

Q. Commitments and Contingencies

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

R. Prior Period Adjustment

The District reported a prior period adjustment which increased fund balance in Other Governmental Funds by \$23,962. The increase in fund balance resulted from reclassifying activity fund accounts from fiduciary activities to a special revenue fund in accordance with GASB Statement No. 84, Fiduciary Activities.

REQUIRED SUPPLEMENTARY INFORMATION

## EXHIBIT G-1

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2021

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive
		Original	Final		(Negative)
	REVENUES:				
5700	Local and Intermediate Sources	\$ 1,558,536	\$ 1,837,536	\$ 1,831,056	\$ (6,480)
5800	State Program Revenues	2,398,544	2,407,044	2,495,606	88,562
5900	Federal Program Revenues	5,000	26,000	26,087	87
5020	Total Revenues	<u>3,962,080</u>	<u>4,270,580</u>	<u>4,352,749</u>	<u>82,169</u>
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	1,959,270	1,969,270	1,701,691	267,579
0012	Instructional Resources and Media Services	2,600	7,600	2,412	5,188
0013	Curriculum Dev. & Instructional Staff Dev.	15,000	20,000	6,806	13,194
0023	School Leadership	227,065	232,065	141,464	90,601
0031	Guidance, Counseling & Evaluation Services	38,023	43,023	39,108	3,915
0033	Health Services	30,820	35,820	28,029	7,791
0034	Student (Pupil) Transportation	206,360	216,360	164,184	52,176
0036	Curricular/Extracurricular Activities	232,400	242,400	191,445	50,955
0041	General Administration	290,070	375,070	337,647	37,423
0051	Plant Maintenance and Operations	553,980	648,980	565,293	83,687
0052	Security and Monitoring Services	3,500	5,500	2,163	3,337
0053	Data Processing Services	107,140	117,140	111,400	5,740
0081	Capital Outlay	121,500	156,500	130,466	26,034
0093	Payments to Fiscal Agent/Member Dist. SSA	76,050	76,050	71,881	4,169
0099	Other Intergovernmental Charges	40,300	40,300	31,072	9,228
6030	Total Expenditures	<u>3,904,078</u>	<u>4,186,078</u>	<u>3,525,061</u>	<u>661,017</u>
	Other Financing Sources (Uses):				
7912	Sale of Real and Personal Property	-	-	9,000	9,000
8911	Operating Transfers Out	(50,635)	(377,135)	(363,732)	13,403
	Total Other Financing Sources and (Uses)	<u>(50,635)</u>	<u>(377,135)</u>	<u>(354,732)</u>	<u>22,403</u>
1200	Net Change in Fund Balance	7,367	(292,633)	472,956	765,589
0100	Fund Balance - Beginning	<u>3,391,237</u>	<u>3,391,237</u>	<u>3,391,237</u>	-
3000	Fund Balance - Ending	<u>\$ 3,398,604</u>	<u>\$ 3,098,604</u>	<u>\$ 3,864,193</u>	<u>\$ 765,589</u>

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
For the Year Ended August 31, 2021

	Measurement Year Ended August 31,						
	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0016564360%	0.0014728636%	0.0015889884%	0.0014299678%	0.0013127692%	0.0013837000%	0.0007151000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 887,153	\$ 765,641	\$ 874,618	\$ 457,227	\$ 496,076	\$ 489,120	\$ 191,014
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,654,738	1,538,534	1,614,355	912,185	1,114,332	1,068,368	931,812
Total	\$ 2,541,891	\$ 2,304,175	\$ 2,488,973	\$ 1,369,412	\$ 1,610,408	\$ 1,557,488	\$ 1,122,826
District's Covered Employee Payroll	\$ 2,103,334	\$ 1,934,646	\$ 1,789,889	\$ 1,700,084	\$ 1,642,744	\$ 1,593,751	\$ 1,551,101
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	42.18%	39.58%	48.86%	26.89%	30.20%	30.69%	12.31%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

SCHEDULE OF THE DISTRICT CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM  
For the Year Ended August 31, 2021

	Fiscal Year Ended August 31,					
	2021	2020	2019	2018	2017	2015
Contractually Required Contribution	\$ 77,422	\$ 68,331	\$ 51,602	\$ 45,768	\$ 49,234	\$ 43,019
Contribution in Relation to the Contractually Required Contribution	(77,422)	(68,331)	(51,602)	(45,768)	(49,234)	(43,019)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Employee Payroll	\$ 2,269,611	\$ 2,103,334	\$ 1,934,646	\$ 1,789,889	\$ 1,700,084	\$ 1,642,744
Contributions as a percentage of Covered Employee Payroll	3.41%	3.25%	2.67%	2.56%	2.90%	2.62%
						2.65%

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



WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
For the Year Ended August 31, 2021

	Measurement Year Ended August 31,		
	2020	2019	2018
District's Proportion of the Net OPEB Liability (Asset)	0.0029056539%	0.0023805056%	0.0029033550%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,104,570	\$ 1,125,771	\$ 1,449,672
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	1,484,278	1,495,897	1,539,342
Total	<u>\$ 2,588,848</u>	<u>\$ 2,621,668</u>	<u>\$ 2,989,014</u>
District's Covered Payroll	\$ 2,103,334	\$ 1,934,646	\$ 1,789,889
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	52.52%	58.19%	80.99%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%
			0.91%

Note: Only four years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
For the Year Ended August 31, 2021

	Fiscal Year Ended August 31,		
	2021	2020	2019
Contractually Required Contribution	\$ 21,326	\$ 22,085	\$ 16,905
Contribution in Relation to the Contractually Required Contribution	<u>(21,326)</u>	<u>(22,085)</u>	<u>(16,905)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,269,611	\$ 2,103,334	\$ 1,934,646
Contributions as a percentage of Covered Payroll	0.94%	1.05%	0.87%
			1.12%

Note: Only four years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

## OTHER SUPPLEMENTARY INFORMATION

WELLMAN-JUNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
For the Year Ended August 31, 2021

Last Ten Years Ended August 31	1		2		3	10		20		31		32		40		50
	Maintenance	Debt Service	Tax Rates	Debt Service		Assessed/Appraised Value for School Tax Purposes	Beginning Balance 09/01/20	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 08/31/21				
Prior Years	Various	Various	Various	Various	--	\$ 7,899	\$ -	\$ -	\$ -	\$ (806)	\$ 7,093					
2013	1.0400	0.0000	1.0400	1.0400	267,701,735	718	-	-	-	-	718					
2014	1.0400	0.3810	1.4210	1.4210	271,268,782	459	-	17	6	-	436					
2015	1.0400	0.3810	1.4210	1.4210	333,461,001	3,367	-	76	28	-	3,263					
2016	1.0400	0.4550	1.4950	1.4950	233,266,489	1,890	-	26	12	-	1,852					
2017	1.0829	0.5050	1.5879	1.5879	174,135,162	1,574	-	185	87	-	1,302					
2018	1.0719	0.5160	1.5879	1.5879	184,587,589	1,698	-	289	140	-	1,269					
2019	1.0781	0.5160	1.5941	1.5941	215,541,047	6,147	-	1,412	675	-	4,060					
2020	1.0081	0.5410	1.5491	1.5491	199,922,035	75,171	-	22,326	11,982	(144)	40,719					
2021-School Year Under Audit	0.9945	0.4106	1.4051	1.4051	150,011,458	-	2,107,811	1,467,337	605,821	(11,121)	23,532					
1000	TOTALS					\$ 98,923	\$ 2,107,811	\$ 1,491,668	\$ 618,751	\$ (12,071)	\$ 84,244					

Columns 10 + 20 - 30 - 30a + 40 Equals Column 50

Column 3 - Assessed/Appraised Value for School Tax Purposes:  
This is the net appraised value, after deductions of all exemptions, tax freeze amounts and reductions provided by law and those granted by the district, based on maintenance requirements.

Column 20 - Current Year's Levy:  
This amount is calculated by multiplying tax rate(s) times the applicable Assessed/Appraised Value(s) in Column 3.

Columns 30 and 30a - These are the total collections net of adjustments described in Column 40, according to each year of tax levy, and do NOT include penalties and interest.

Column 40 - Entire Year's Adjustments:  
Total adjustments include corrections for errors in taxes assessed, taxes lost due to tax freeze and discounts allowed for early payment of taxes.

Column 50 - Ending Balance 8/31/21

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

EXHIBIT J-2

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2021

Data Control Codes	1	2	3
	Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 592,496	\$ 626,435	\$ 33,939
5800 State Program Revenues	3,000	3,062	62
5020 Total Revenues	<u>595,496</u>	<u>629,497</u>	<u>34,001</u>
<b>EXPENDITURES:</b>			
Current:			
Debt Service			
0071 Principal on Long-Term Debt	409,123	402,623	6,500
0072 Interest on Long-Term Debt	462,706	459,893	2,813
0073 Bond Issuance Costs and Fees	450	450	-
Total Debt Service	<u>872,279</u>	<u>862,966</u>	<u>9,313</u>
6030 Total Expenditures	<u>872,279</u>	<u>862,966</u>	<u>9,313</u>
Other Financing Sources (Uses):			
7915 Operating Transfers In	<u>320,000</u>	<u>326,500</u>	<u>6,500</u>
Total Other Financing Sources and (Uses)	<u>320,000</u>	<u>326,500</u>	<u>6,500</u>
1200 Net Change in Fund Balance	43,217	93,031	49,814
0100 Fund Balance - Beginning	<u>209,929</u>	<u>209,929</u>	<u>-</u>
3000 Fund Balance - Ending	<u>\$ 253,146</u>	<u>\$ 302,960</u>	<u>\$ 49,814</u>

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2021

Data Control Codes	1	2	3
	Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 40,000	\$ 40,573	\$ 573
5800 State Program Revenues	6,370	6,426	56
5900 Federal Program Revenues	<u>119,090</u>	<u>111,884</u>	<u>(7,206)</u>
5020 Total Revenues	<u>165,460</u>	<u>158,883</u>	<u>(6,577)</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services-Student (Pupil):			
0035 Food Services	<u>216,095</u>	<u>196,115</u>	<u>19,980</u>
Total Support Services - Student (Pupil)	<u>216,095</u>	<u>196,115</u>	<u>19,980</u>
6030 Total Expenditures	<u>216,095</u>	<u>196,115</u>	<u>19,980</u>
Other Financing Sources (Uses):			
7915 Operating Transfers In	<u>50,635</u>	<u>37,232</u>	<u>(13,403)</u>
Total Other Financing Sources and (Uses)	<u>50,635</u>	<u>37,232</u>	<u>(13,403)</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - Beginning	<u>32,959</u>	<u>32,959</u>	-
3000 Fund Balance - Ending	<u>\$ 32,959</u>	<u>\$ 32,959</u>	<u>\$ -</u>

# Terry & King, CPAs, P.C.

5707 114<sup>th</sup> Street  
P.O. Box 93550  
Lubbock, TX 79493-3550

Randel J. Terry, CPA  
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 832-1128

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## Independent Auditors' Report

### 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 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 the Wellman-Union Independent School District, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the Wellman-Union Independent School District's basic financial statements, and have issued our report thereon dated October 15, 2021.

#### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Wellman-Union Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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Independent Auditors' Report  
Page 2

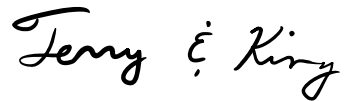
***Compliance and Other Matters***

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
October 15, 2021



# Terry & King, CPAs, P.C.

5707 114<sup>th</sup> Street  
P.O. Box 93550  
Lubbock, TX 79493-3550

Randel J. Terry, CPA  
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 832-1128

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## Independent Auditors' Report

### REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Members of the Board of Trustees:

#### ***Report on Compliance for Each Major Federal Program***

We have audited the Wellman-Union Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2021. Wellman-Union Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

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

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

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



**Opinion on Each Major Federal Program**

In our opinion, Wellman-Union Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

**Report on Internal Control Over Compliance**

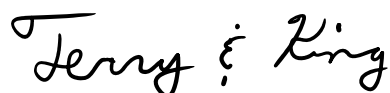
Management of Wellman-Union Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control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

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

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

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

Respectfully submitted,



Terry & King, CPAs, P.C.  
Lubbock, Texas  
October 15, 2021

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2021

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
Material weakness(es) identified?  Yes  No

Significant deficiencies identified that  
are not considered to be material  
weaknesses?  Yes  None Reported

Noncompliance material to financial  
Statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:  
Material weakness(es) identified?  Yes  No

Significant deficiencies identified that  
are not considered to be material  
weaknesses?  Yes  None Reported

Type of auditor's report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
To be reported in accordance with the  
Uniform Guidance?  Yes  No

Identification of major programs:

CFDA Number(s)

84.425D  
84.425U

Name of Federal Program or Cluster

COVID-19: ESSER I  
COVID-19: ARP ESSER III

Dollar threshold used to distinguish between  
type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes  No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

SUMMARY OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2021

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
Not Applicable - None		

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

CORRECTIVE ACTION PLAN  
For the Year Ended August 31, 2021

Not Applicable – None Required

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2021

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>U.S. Department of Education</u>			
Direct Program:			
Small, Rural School Achievement Program	84.358A	N/A	50,004
Passed Through State Department of Education:			
ESEA Title 1, Part A - Improving Basic Programs	84.010A	21610101223904	93,453
ESEA Title 1, Part A - Improving Basic Programs	84.010A	22610101223904	7,760
ESEA Title 1, Part C - Migratory Children	84.011A	--	10,661
ESEA Title 1, Part C - Migratory Children	84.011A	--	16,693
ESEA Title 1, Part C - Migratory Children	84.011A	--	180
Carl D. Perkins - Basic Grant	84.048A	--	2,528
ESEA Title II, Part A - Teacher & Principal Training	84.367A	21694501223904	10,996
COVID-19: Elementary & Secondary School Emergency Relief Fund	84.425D	20521001223904	89,823
COVID-19: American Recovery Plan - ESSER III	84.425U	21528001223904	388,932
ESEA Title IV, Part A, Subpart 1	84.424A	21680101223904	10,000
ESEA Title IV, Part A, Subpart 1	84.424A	22680101223904	10,000
Total U.S. Department of Education			<u>691,030</u>
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
Medicare/Medicaid Reimbursement*	93.778	N/A	26,088
Total Medicaid Cluster			<u>26,088</u>
Total U.S. Department of Health and Human Services			<u>26,088</u>
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
National School Lunch Program*	10.555	71302101	73,434
School Breakfast Program*	10.553	71402101	21,502
Total Child Nutrition Cluster			94,936
Direct Program:			
Commodity Supplemental Food Program*	10.565	N/A	2,957
Total Food Distribution Cluster			<u>13,991</u>
Total U.S. Department of Agriculture			<u>111,884</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 829,002</u>

\* - Indicates a cluster program under Uniform Guidance.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2021

The accompanying schedule of expenditures of federal awards includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds, components of the Governmental Fund type.

The modified accrual basis of accounting is used for the Governmental Fund Types in the fund financial statements. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in 2 CFR Part 200, Part 3, Section H, Period of Performance.

The District is not eligible to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance because the District has previously received a negotiated indirect cost rate for its federal awards.

WELLMAN-UNION INDEPENDENT SCHOOL DISTRICT  
Wellman, Texas

SCHOOLS FIRST QUESTIONNAIRE  
For the Year Ended August 31, 2021

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?	Yes
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.	\$ 52,748