



Financial Statements
August 31, 2018

Lampasas Independent School District

Lampasas Independent School District

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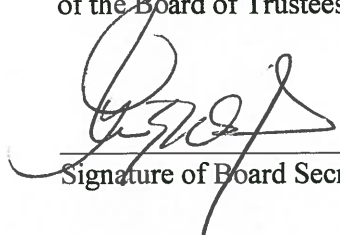
CERTIFICATE OF BOARD

Lampasas Independent School District
Name of School District

Lampasas
County

141-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and approved ✓ disapproved _____ for the year ended August 31, 2018, at a meeting of the Board of Trustees of such school district on the 3rd day of December, 2018.



Signature of Board Secretary



Signature of Board President



Independent Auditor's Report

The Board of Trustees
Lampasas Independent School District
Lampasas, Texas

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 Lampasas Independent School District (the District) as of and for the year ended August 31, 2018, 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 District as of August 31, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 4 and 17 to the financial statements, the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of September 1, 2017. Our opinions are not modified with respect to this matter.

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 plan schedules and OPEB plan schedules on pages 5 through 13 and 50 through 56 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 or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The combining nonmajor fund financial statements and the TEA required schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 26, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
November 26, 2018

This section of Lampasas Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2018. Please read it in conjunction with the District's basic financial statements, which follow this section.

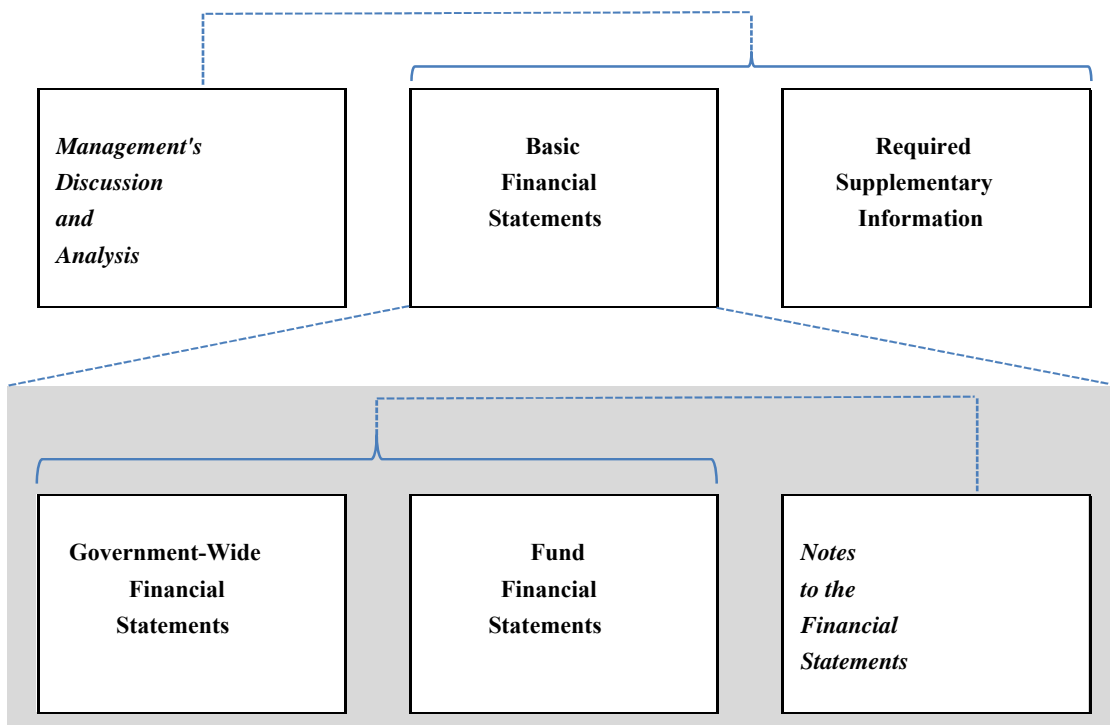
FINANCIAL HIGHLIGHTS

- At August 31, 2018, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$24,370,558. Unrestricted net position reflects a deficit of (\$3,922,063) created by a prior period adjustment resulting from the implementation of GASB 75 in the current fiscal year for OPEB. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net OPEB liability. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.
- As of the close of the current fiscal year, the District's governmental funds (general, debt service, and special revenue funds) reported combined ending fund balances of \$17,247,946. Of this total amount, 53.3% or \$9,188,891 is available for spending at the District's discretion (unassigned fund balance).
- The general fund as of August 31, 2018 reflects an ending fund balance of \$15,378,920, an increase of \$608,070 compared to last fiscal year. This fund balance is 51.7% of the total general fund expenditures.
- The District paid bond principal and interest during the fiscal year in the amount of \$3,156,340.

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. Figure I shows how the required parts of this annual report are arranged and related to one another.

Figure I, Required Components of the District's Annual Financial Report



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 II summarizes the major features of the District's financial statements, including the portion of the District's 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.

Type of Statements	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds) and the District'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	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, & Changes in Fund Balance	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Fund Net Position
Accounting basis and measurement	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 District's funds do not currently contain capital assets
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 it has changed. Net position - the difference between the District's assets and deferred outflows of resources and the District's liabilities and deferred inflows of resources - is one way to measure the District's financial health or *position*.

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

In fiscal year 2018, the District adopted the Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – which superseded GASB Statement No. 45. Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined other postemployment benefit (OPEB) plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The effects of the adoption of this statement has no impact on the District's governmental fund financial statements. However, adoption has resulted in certain changes to the presentation of the District's government-wide financial statements. More information on the adoption of this statement and the District's OPEB plan is available in Note 12 and 17.

The government-wide financial statements of the District consist of:

Governmental activities - The District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, student transportation, food service, facilities maintenance and operations, and general administration. Property taxes, fees, state and federal 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 District 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 two 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 in a reconciliation following the governmental funds statement that explains the relationship (or differences) between the government-wide and the fund financial statements.

Fiduciary funds - The District is the trustee, or *fiduciary*, for money raised by student and faculty activities and scholarship programs. 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. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Financial Analysis of the District as a Whole

The Districts combined net position was \$24,370,558 at August 31, 2018.

Table I
Lampasas Independent School District's Net Position

	Governmental Activities	
	2018	2017
Assets		
Current and Other Assets	\$ 20,338,284	\$ 19,414,064
Capital assets	61,326,523	62,093,281
Total assets	<u>\$ 81,664,807</u>	<u>\$ 81,507,345</u>
Deferred Outflows of Resources		
Deferred Outflows	\$ 5,376,287	\$ 6,215,936
Total outflows of resources	<u>\$ 5,376,287</u>	<u>\$ 6,215,936</u>
Liabilities		
Current Liabilities	\$ 2,542,713	\$ 2,438,516
Long-term liabilities	54,717,453	46,755,102
Total liabilities	<u>\$ 57,260,166</u>	<u>\$ 49,193,618</u>
Deferred Inflows of Resources		
Deferred Inflows	\$ 5,410,370	\$ 370,968
Total inflows of resources	<u>\$ 5,410,370</u>	<u>\$ 370,968</u>
Net Position		
Net Investment in capital assets	\$ 26,680,305	\$ 25,546,779
Restricted for debt service	1,499,768	1,214,533
Restricted for other purposes	112,548	71,380
Unrestricted net position	(3,922,063)	11,326,003
Total net position	<u>\$ 24,370,558</u>	<u>\$ 38,158,695</u>

Of the District's restricted net position, \$112,548 represents proceeds for grants related to federal and state programs and \$1,499,768 represents proceeds for debt retirement. Unrestricted net position reflects a deficit of (\$3,922,063). The deficit is due to reporting the District's proportionate share of the net OPEB liability. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS-Care plan is funded on a pay-as-you-go basis.

Lampasas Independent School District
Management's Discussion and Analysis
August 31, 2018

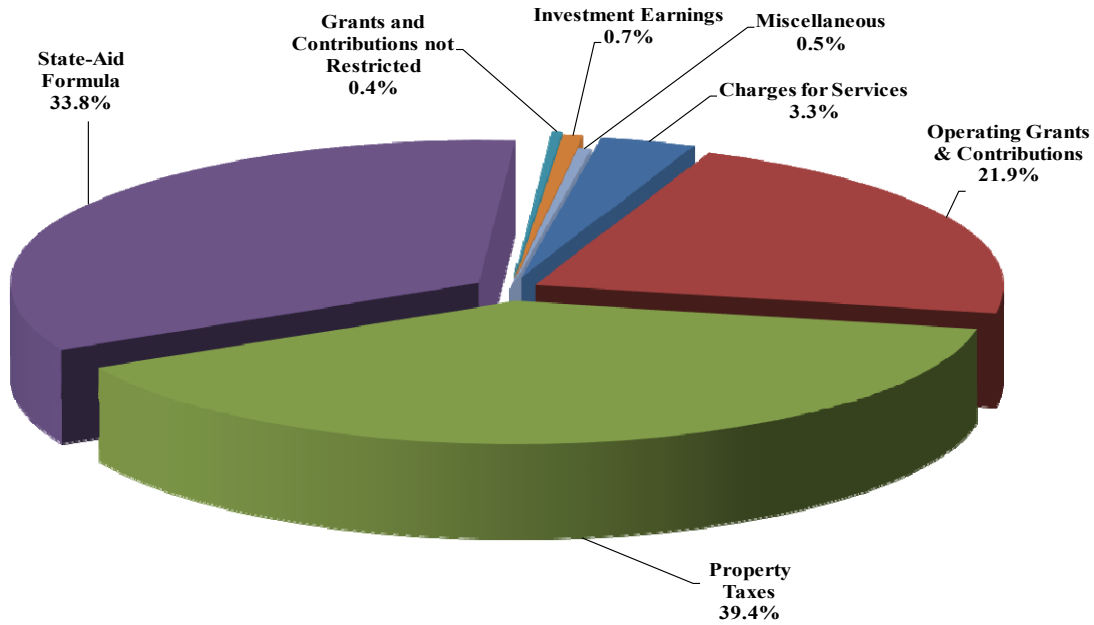
Changes in Net Position

The District's total revenues were \$42,379,121, an increase of 17.1% from last year. Of this total, 39.4% comes from local property taxes. Of the remainder, 56.2% comes from state aid and federal grants, while 4.4% relates to charges for services, capital grants, investment earnings, and miscellaneous. (See Table II). The total cost of all programs and services was \$37,032,946, an increase of 1.3%.

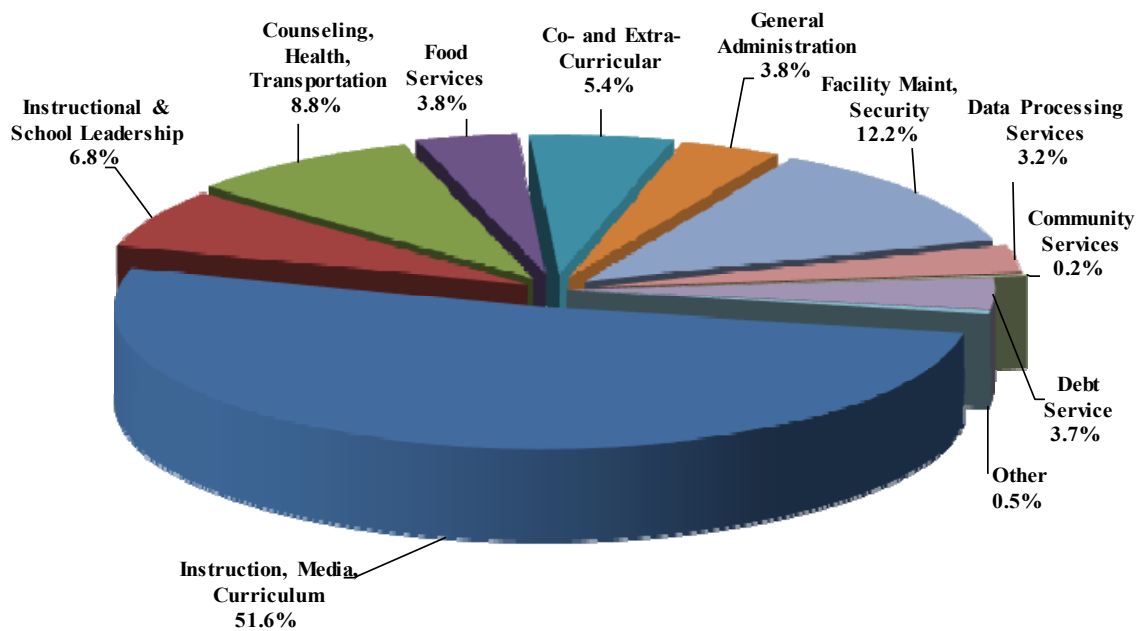
Table II
Change in Lampasas Independent School District's Net Position

	Governmental Activities	
	2018	2017
Program Revenues		
Charges for services	\$ 1,385,605	\$ 1,436,050
Operating grants and contributions	9,327,545	4,436,572
Capital grants	-	20,150
General Revenues		
Property taxes	16,676,492	15,637,870
State-aid formula	14,344,179	14,044,523
Grants and contributions not restricted	154,132	216,036
Investment earnings	294,551	124,985
Miscellaneous	196,617	262,105
Total revenues	42,379,121	36,178,291
Expenses		
Instruction	18,268,105	17,565,615
Instructional resources and media	403,125	424,826
Curriculum and staff development	467,602	573,610
Instructional leadership	613,573	582,854
School leadership	1,905,475	1,900,200
Guidance and counseling	1,085,579	1,068,478
Social work services	27,610	24,102
Health services	296,930	278,203
Student transportation	1,864,470	1,770,706
Food services	1,407,977	1,790,968
Cocurricular / extracurricular	1,999,426	1,878,840
General administration	1,398,963	1,357,476
Facilities maintenance and operations	4,301,240	4,382,852
Security and monitoring services	200,624	151,998
Data processing services	1,183,795	1,125,023
Community services	64,567	68,363
Debt service	1,367,359	1,438,663
Other governmental charges	176,526	162,806
Total expenses	37,032,946	36,545,583
Change in Net Position	5,346,175	(367,292)
Net Position, Beginning	38,158,695	38,525,987
Prior Period Adjustment	(19,134,312)	-
Net Position, Ending (Aug 31)	\$ 24,370,558	\$ 38,158,695

Government-Wide Revenues for Fiscal Year 2018



Government-Wide Expenses for Fiscal Year 2018



Lampasas Independent School District
Management's Discussion and Analysis
August 31, 2018

Table III below presents the cost of the district 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 this year was \$37,032,946. However, the amount that our taxpayers paid for these activities through local property taxes was \$16,676,492 while state aid totaled \$14,344,179. Some of the cost was paid by those who directly benefited from the programs at \$1,385,605, or by grants and contributions at \$9,481,677. Grants and contributions increased from the prior year primarily due to adjustments to revenue for implementation of GASB 75.

The increase in expenses is primarily due to adjustments to expenses to record the State's negative on-behalf contributions for OPEB in conjunction with the implementation of GASB 75.

Table III
Lampasas Independent School District's
Net Cost of Selected District Functions

	Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2018	2017	% Change	2018	2017	% Change
Instruction	\$ 18,268,105	\$ 17,565,615	4.0%	\$ 12,581,033	\$ 14,969,062	(16.0%)
Instructional resources and media services	403,125	424,826	(5.1%)	330,410	406,401	(18.7%)
Curriculum and instructional staff development	467,602	573,610	(18.5%)	196,955	353,331	(44.3%)
Instructional leadership	613,573	582,854	5.3%	468,902	541,488	(13.4%)
School leadership	1,905,475	1,900,200	0.3%	1,476,651	1,789,620	(17.5%)
Guidance and counseling	1,085,579	1,068,478	1.6%	819,068	981,594	(16.6%)
Social work services	27,610	24,102	14.6%	27,610	24,102	14.6%
Health services	296,930	278,203	6.7%	227,294	260,213	(12.7%)
Student transportation	1,864,470	1,770,706	5.3%	1,474,829	1,664,338	(11.4%)
Food services	1,407,977	1,790,968	(21.4%)	(100,586)	180,370	(155.8%)
Extracurricular activities	1,999,426	1,878,840	6.4%	1,206,708	1,228,394	(1.8%)
General administration	1,398,963	1,357,476	3.1%	1,152,288	1,299,033	(11.3%)
Facilities maintenance and operations	4,301,240	4,382,852	(1.9%)	3,770,240	4,187,575	(10.0%)
Security and monitoring services	200,624	151,998	32.0%	200,624	151,998	32.0%
Data processing services	1,183,795	1,125,023	5.2%	1,034,165	1,088,130	(5.0%)
Community Services	64,567	68,363	(5.6%)	43,468	57,149	(23.9%)
Debt service	1,367,359	1,438,663	(5.0%)	1,233,611	1,307,207	(5.6%)
Other intergovernmental charges	176,526	162,806	8.4%	176,526	162,806	8.4%

Financial Analysis of the District's Funds

Revenues from governmental fund types totaled \$37,751,968 which is an increase of \$1,877,671 from prior year. The increase is primarily attributable to state foundation school program revenue, property tax revenue, and interest earnings.

As the District completed this year, the General Fund reported a fund balance of \$15,378,920, which is \$608,070 more than last year's total of \$14,770,850. The increase in fund balance is primarily attributable to capital projects that were not completed in 2018 and salary budgets that were not spent due to turnover and vacant positions. The District's other governmental funds reported a fund balance of \$1,869,026 as compared to \$1,630,180 in 2017, which is \$238,846 more than the previous year. The primary difference between fiscal year 2017 and fiscal year 2018 governmental funds was an increase in the debt service fund due to an increase in the property tax revenue.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These amendments involved moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. Budget amendments were Board approved throughout the year for the roofing project to include replacement of gas lines at the middle school, Kline Whitis Elementary and the old middle school \$1,518,600; fiber re-routing underground and middle school fiber restructuring \$88,130; walk in cooler for food service at Kline Whitis Elementary \$45,000, and security cameras including technology infrastructure at the high school \$49,000. The other budget amendments approved were not considered significant.

With all budget amendments processed, the actual expenditures were \$1,713,364 below the final budgeted amount. The roofing project at Kline Whitis Elementary, middle school and the old middle school that was budgeted was not completed at year end and left \$638,599 that was moved to the 2019 budget. The positive variance excluding the roofing project was an overall saving of approximately 3.4% of the budget.

Revenue available was \$298,824 above the final budgeted amount. The variance was primarily due to state funding adjustments and property tax receivable that reflected slightly different numbers than those used in the final budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested \$61,326,523 in a broad range of capital assets, including land, construction in progress, furniture and equipment, and buildings.

Table IV
Lampasas Independent School District's
Capital Assets

	Governmental Activities		Change
	2018	2017	
Land	\$ 2,133,637	\$ 2,133,637	\$ -
Construction in progress	798,401	-	798,401
Buildings and improvements	81,774,313	81,553,125	221,188
Furniture and equipment	10,082,295	9,873,276	209,019
Total at historical cost	94,788,646	93,560,038	1,228,608
Less accumulated depreciation	(33,462,123)	(31,466,757)	(1,995,366)
Net capital assets	<u>\$ 61,326,523</u>	<u>\$ 62,093,281</u>	<u>\$ (766,758)</u>

Long-Term Debt

At the end of 2018, the District had \$54,717,453 in noncurrent liabilities as shown in Table V. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Table V
Lampasas Independent School District's
Long-Term Debt

	Governmental Activities		Change
	2018	2017	
General obligation bonds	\$ 33,424,982	\$ 35,229,982	\$ (1,805,000)
Bond premiums	4,262,550	4,611,277	(348,727)
Capital appreciation accretion	587,768	479,413	108,355
Net pension liability	5,530,047	6,434,430	(904,383)
Net OPEB liability	10,912,106	19,264,772	(8,352,666)
Total	<u>\$ 54,717,453</u>	<u>\$ 66,019,874</u>	<u>\$ (11,302,421)</u>

ECONOMIC FACTORS AND 2017-2018 BUDGETS & RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2018-19 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. A steady enrollment population, coupled with a moderate increase in property values has led to a General Fund budget of \$30.74 million for the 2018-2019 fiscal year. The budget increased from 2017-18 to 2018-19 by approximately \$268 thousand, a direct result of continued property value increases and the district's ability to maintain a very strong fund balance. The district was able to provide a 3% professional salary and 5% auxiliary and para professional salary increase to all employees in the 2018-19 budget.

As with most area school districts Lampasas ISD is charged with the maintenance of the districts infrastructure that is aging. We anticipate increased budgets needed for the maintenance and operations of these older facilities. Over the past few years the district has used fund balance in order to upgrade, renovate and repair facilities as needed at some of the campuses. The district will continue to do this as funding becomes available. The district must maintain a required fund balance in order to meet anticipated operating expenses and shortfalls in funding. The district will always do what is necessary to maintain our facilities and to provide a safe, secure and pleasant learning environment for our students and staff.

For 2018-19, the property tax rate for Maintenance and Operations (M&O) will remain at \$1.17 per \$100 of taxable value, same as for 2017-18. The district also will hold the debt service tax rate constant at \$.26 per \$100 of taxable value for the 2018-19 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District is \$1.43 per \$100 of taxable value for the 2018-19 budget year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions please contact the District's Business Office at Lampasas Independent School District, 207 W. 8th Street, Lampasas, Texas 76550, or by calling (512) 556-6224.

Lampasas Independent School District
Statement of Net Position (Exhibit A-1)
August 31, 2018

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 2,792,058
1120	Investments - current	15,852,001
1220	Property taxes receivable (delinquent)	932,473
1230	Allowance for uncollectible taxes	(268,914)
1240	Due from other governments	652,822
1267	Due from fiduciary funds	500
1290	Other receivables	184,749
1300	Inventories	186,420
1410	Prepaid expenses	6,175
	Capital assets	
1510	Land	2,133,637
1520	Buildings, net	55,203,124
1530	Furniture and equipment, net	3,191,361
1580	Construction in progress	798,401
1000	Total assets	<u>81,664,807</u>
	Deferred Outflows of Resources	
1705	Deferred outflows - pension	2,177,492
1706	Deferred outflows - OPEB	157,481
1710	Deferred outflows - refunding	3,041,314
1700	Total deferred outflows of resources	<u>5,376,287</u>
	Liabilities	
2110	Accounts payable	811,845
2140	Interest payable	57,228
2150	Payroll deduction and withholdings payable	16,508
2160	Accrued wages payable	1,532,654
2200	Accrued expenditures	124,478
	Noncurrent liabilities	
2501	Due within one year	2,223,727
2502	Due in more than one year	32,137,750
2516	Unamortized premium (discount) on bonds	3,913,823
2540	Net pension liability	5,530,047
2545	Net OPEB liability	10,912,106
2000	Total liabilities	<u>57,260,166</u>

Lampasas Independent School District
Statement of Net Position (Exhibit A-1)
August 31, 2018

Data Control Codes		Governmental Activities
	Deferred Inflows of Resources	
2605	Deferred inflows - pension	845,816
2606	Deferred inflows - OPEB	4,564,554
2600	Total deferred inflows of resources	5,410,370
	Net Position	
3200	Net investment in capital assets	26,680,305
3820	Restricted for federal and state programs	112,548
3850	Restricted for debt service	1,499,768
3900	Unrestricted net position	(3,922,063)
3000	Total net position	\$ 24,370,558

Lampasas Independent School District
Statement of Activities (Exhibit B-1)
Year Ended August 31, 2018

		1
Data Control Codes	Functions/Programs	Expenses
	Governmental activities	
11	Instruction	\$ 18,268,105
12	Instructional resources and media services	403,125
13	Curriculum and instructional staff development	467,602
21	Instructional leadership	613,573
23	School leadership	1,905,475
31	Guidance, counseling, and evaluation services	1,085,579
32	Social work services	27,610
33	Health services	296,930
34	Student transportation	1,864,470
35	Food services	1,407,977
36	Extracurricular activities	1,999,426
41	General administration	1,398,963
51	Facilities maintenance and operations	4,301,240
52	Security and monitoring services	200,624
53	Data processing services	1,183,795
61	Community services	64,567
72	Debt service - interest on long-term debt	1,361,359
73	Debt service - bond issuance costs and fees	6,000
99	Other intergovernmental charges	176,526
TG	Total governmental activities	<u>37,032,946</u>
TP	Total primary government	<u><u>\$ 37,032,946</u></u>

Lampasas Independent School District
Statement of Activities (Exhibit B-1)
Year Ended August 31, 2018

			Net (Expense) Revenue and Changes in Net Position	
Program Revenues			Primary Government	
3	4	5	6	8
Charges for Services	Operating Grants and Contributions	Capital Grants	Governmental Activities	Total
\$ 263,705	\$ 5,423,367	\$ -	\$ (12,581,033)	\$ (12,581,033)
-	72,715	-	(330,410)	(330,410)
-	270,647	-	(196,955)	(196,955)
-	144,671	-	(468,902)	(468,902)
-	428,824	-	(1,476,651)	(1,476,651)
-	266,511	-	(819,068)	(819,068)
-	-	-	(27,610)	(27,610)
-	69,636	-	(227,294)	(227,294)
-	389,641	-	(1,474,829)	(1,474,829)
467,129	1,041,434	-	100,586	100,586
603,232	189,486	-	(1,206,708)	(1,206,708)
-	246,675	-	(1,152,288)	(1,152,288)
51,539	479,461	-	(3,770,240)	(3,770,240)
-	-	-	(200,624)	(200,624)
-	149,630	-	(1,034,165)	(1,034,165)
-	21,099	-	(43,468)	(43,468)
-	133,748	-	(1,227,611)	(1,227,611)
-	-	-	(6,000)	(6,000)
-	-	-	(176,526)	(176,526)
1,385,605	9,327,545	-	(26,319,796)	(26,319,796)
<u>\$ 1,385,605</u>	<u>\$ 9,327,545</u>	<u>\$ -</u>	<u>(26,319,796)</u>	<u>(26,319,796)</u>
General revenues				
Taxes				
MT	Property taxes, levied for general purposes		13,519,436	13,519,436
DT	Property taxes and penalties, levied for debt service		3,157,056	3,157,056
SF	State aid - formula grants		14,344,179	14,344,179
GC	Grants and contributions not restricted		154,132	154,132
IE	Investment earnings		294,551	294,551
MI	Miscellaneous earnings		196,617	196,617
TR	Total general revenues		<u>31,665,971</u>	<u>31,665,971</u>
CN	Change in net position		5,346,175	5,346,175
NB	Net position, beginning		38,158,695	38,158,695
PA	Prior period adjustment		(19,134,312)	(19,134,312)
	Beginning net position, as restated		<u>19,024,383</u>	<u>19,024,383</u>
NE	Net position, ending		<u>\$ 24,370,558</u>	<u>\$ 24,370,558</u>

Lampasas Independent School District
Balance Sheet – Governmental Funds (Exhibit C-1)
August 31, 2018

Data Control Codes		10 General Fund	Total Nonmajor Funds	98 Total Governmental Funds
	Assets			
1110	Cash and cash equivalents	\$ 2,233,169	\$ 558,889	\$ 2,792,058
1120	Investments - current	14,485,486	1,366,515	15,852,001
1220	Property taxes - delinquent	750,445	182,028	932,473
1230	Allowance for uncollectible taxes (credit)	(217,556)	(51,358)	(268,914)
1240	Receivables from other governments	151,194	501,628	652,822
1260	Due from other funds	315,938	11,412	327,350
1290	Other receivables	184,583	166	184,749
1300	Inventories	186,420	-	186,420
1410	Prepayments	3,609	2,566	6,175
1000	Total assets	<u>18,093,288</u>	<u>2,571,846</u>	<u>20,665,134</u>
	Deferred Outflows of Resources			
1700	Deferred outflows	-	-	-
1000a	Total assets and deferred outflows	<u>\$ 18,093,288</u>	<u>\$ 2,571,846</u>	<u>\$ 20,665,134</u>
	Liabilities			
2110	Accounts payable	\$ 705,218	\$ 106,627	\$ 811,845
2150	Payroll deduction and withholdings payable	16,508	-	16,508
2160	Accrued wages payable	1,371,533	161,121	1,532,654
2170	Due to other funds	11,412	315,438	326,850
2200	Accrued expenditures	124,478	-	124,478
2000	Total liabilities	<u>2,229,149</u>	<u>583,186</u>	<u>2,812,335</u>
	Deferred Inflows of Resources			
	Unavailable revenue - property taxes	485,219	119,634	604,853
2600	Total deferred inflows of resources	<u>485,219</u>	<u>119,634</u>	<u>604,853</u>
	Fund Balance			
3410	Nonspendable - inventory	186,420	-	186,420
3430	Nonspendable - prepaid items	3,609	2,566	6,175
3450	Restricted - federal or state funds	-	112,548	112,548
3480	Restricted - retirement of long-term debt	-	1,380,134	1,380,134
3510	Committed - construction	3,500,000	-	3,500,000
3530	Committed - capital expenditures for equipment	2,500,000	-	2,500,000
3545	Committed - other	-	373,778	373,778
3600	Unassigned fund balance	9,188,891	-	9,188,891
3000	Total fund balances	<u>15,378,920</u>	<u>1,869,026</u>	<u>17,247,946</u>
4000	Total liabilities, deferred inflows, and fund balances	<u>\$ 18,093,288</u>	<u>\$ 2,571,846</u>	<u>\$ 20,665,134</u>

Lampasas Independent School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit C-1r)
August 31, 2018

Total Fund Balances - Governmental Funds	\$ 17,247,946
Capital assets, net of accumulated depreciation, are not financial resources and therefore are not reported as assets in governmental funds.	61,326,523
Some liabilities, including bonds payable are not due and payable in the current year and therefore are not reported in the funds:	
Bonds payable	(33,424,982)
Deferred charge on refunding	3,041,314
Unamortized premiums on bonds payable	(4,262,550)
Accumulated accretion on capital appreciation bonds	<u>(587,768)</u>
	(35,233,986)
Accrued interest is not due and payable in the current year and therefore is not reported as a liability in the governmental funds.	(57,228)
Certain assets are not available to pay for current year expenditures and therefore are deferred in the funds. These are:	
Deferred resource inflow for property taxes	604,853
The government-wide statements includes the District's proportionate share of the TRS net pension liabilities and TRS-Care net OPEB liabilities, as well as certain pension and OPEB related transactions accounted for as deferred inflows and outflows of resources:	
Net pension liability	(5,530,047)
Deferred outflows of resources - TRS pension	2,177,492
Deferred inflows of resources - TRS pension	(845,816)
Net OPEB liability	(10,912,106)
Deferred outflows of resources - TRS-Care OPEB	157,481
Deferred inflows of resources - TRS-Care OPEB	<u>(4,564,554)</u>
Net Position of Governmental Activities (See A-1)	<u>\$ 24,370,558</u>

Lampasas Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit C-2)
Year Ended August 31, 2018

Data Control Codes		10 General Fund	Total Nonmajor Funds	98 Total Governmental Funds
	Revenues			
5700	Total local and intermediate sources	\$ 14,257,785	\$ 4,103,826	\$ 18,361,611
5800	State program revenues	15,753,580	739,110	16,492,690
5900	Federal program revenues	417,156	2,480,511	2,897,667
5020	Total revenues	<u>30,428,521</u>	<u>7,323,447</u>	<u>37,751,968</u>
	Expenditures			
	Current			
0011	Instruction	14,823,204	1,747,148	16,570,352
0012	Instructional resources and media services	373,684	-	373,684
0013	Cirriculum and instructional staff development	289,488	231,466	520,954
0021	Instructional leadership	548,224	12,083	560,307
0023	School leadership	1,680,924	-	1,680,924
0031	Guidance, counseling, and evaluation services	926,103	44,763	970,866
0032	Social work services	26,132	-	26,132
0033	Health services	251,507	-	251,507
0034	Student (pupil) transportation	1,807,854	-	1,807,854
0035	Food services	-	1,520,174	1,520,174
0036	Extracurricular activities	1,491,091	410,663	1,901,754
0041	General administration	1,277,200	-	1,277,200
0051	Facilities maintenance and operations	3,955,649	48,321	4,003,970
0052	Security and monitoring services	196,547	-	196,547
0053	Data processing services	1,075,853	-	1,075,853
0061	Community services	48,567	7,643	56,210
	Debt service			
0071	Principal on long-term debt	-	1,805,000	1,805,000
0072	Interest on long-term debt	-	1,351,340	1,351,340
0073	Bond issuance cost and fees	-	6,000	6,000
	Capital outlay			
0081	Facilities acquisition and construction	798,401	-	798,401
	Intergovernmental			
0099	Other intergovernmental charges	167,659	-	167,659
6030	Total expenditures	<u>29,738,087</u>	<u>7,184,601</u>	<u>36,922,688</u>
	Excess (Deficiency) of Revenues			
1100	Over (Under) Expenditures	<u>690,434</u>	<u>138,846</u>	<u>829,280</u>
	Other Financing Sources (Uses)			
7912	Sale of real and personal property	17,636	-	17,636
7915	Operating transfers in	-	100,000	100,000
8911	Operating transfers out	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
7080	Total other financing sources (uses)	<u>(82,364)</u>	<u>100,000</u>	<u>17,636</u>
1200	Net Change in Fund Balances	608,070	238,846	846,916
0100	Fund Balance, September 1 (Beginning)	14,770,850	1,630,180	16,401,030
3000	Fund Balance, August 31 (Ending)	<u>\$ 15,378,920</u>	<u>\$ 1,869,026</u>	<u>\$ 17,247,946</u>

Lampasas Independent School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities (Exhibit C-2r)
Year Ended August 31, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ 846,916
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays of \$1,745,375, debt principal payments of \$1,805,000, and accretion of capital appreciation bonds of \$108,355 is to increase net position.	3,442,020
The government-wide financial statements recognize a loss for the difference between the proceeds received and the remaining net book value of the sold assets of \$59,061. The net effect of the activity is to decrease net position.	(59,061)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(2,453,072)
Changes in the deferred outflows of resources, deferred inflows of resources and net pension liability must be recorded as expenses. Changes in contributions made after the measurement date caused the change in net position to decrease in the amount of \$14,700. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$299,452. The net effect is a decrease in net position.	(314,152)
Changes in the deferred outflows of resources, deferred inflows of resources and net OPEB liability must be recorded as expenses. Changes in contributions made after the measurement date caused the change in net position to increase in the amount of \$25,314. The District's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date must be amortized and the District's proportionate share of the OPEB expense must be recognized. These cause the change in net position to increase in the amount of \$3,789,819. The net effect is a increase in net position.	3,815,133
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expense is reported when due. The current year change in the accrual is a decrease of \$3,052. The net effect is to increase net position.	3,052
Bond premiums and deferred charges on refunding are recorded as expenditures when paid in the fund financial statements but are capitalized and amortized in the government-wide financial statements. This is the current year amortization.	95,284
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred tax revenue of \$604,853 as revenue, removing the prior year's tax collection of \$634,798 and eliminating interfund transactions.	<u>(29,945)</u>
Change in Net Position of Governmental Activities (See B-1)	<u><u>\$ 5,346,175</u></u>

Lampasas Independent School District
Statement of Fiduciary Net Position – Fiduciary Funds (Exhibit E-1)
August 31, 2018

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 5,107	\$ 35,395
Investments	32,136	-
Other receivables	500	353
	<u>37,743</u>	<u>353</u>
Total assets	<u>37,743</u>	<u>\$ 35,748</u>
Liabilities		
Accounts payable	-	\$ 1,378
Due to general fund	500	-
Due to student groups	-	26,243
Due to others	-	8,127
	<u>500</u>	<u>35,748</u>
Total liabilities	<u>500</u>	<u>\$ 35,748</u>
Net Position		
Restricted for other purposes	<u>37,243</u>	
Total net position	<u>\$ 37,243</u>	

Lampasas Independent School District
Statement of Changes in Fiduciary Fund Net Position – Fiduciary Funds (Exhibit E-2)
Year Ended August 31, 2018

	Private Purpose Trust Funds
Additions	
Local and intermediate sources	\$ 989
Total additions	989
Deductions	
Other operating costs	600
Total deductions	600
Change in Net Position	389
Total Net Position, September 1 (Beginning)	36,854
Total Net Position, August 31 (Ending)	\$ 37,243

Note 1 - Reporting Entity

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

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

Note 2 - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 3 - Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and penalties and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The *special revenue funds*, a governmental fund type, account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The District accounts for each federal and state grant in a separate special revenue fund.

The *debt service fund*, a governmental fund type, accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Agency funds, a fiduciary fund type, account for resources held for others in a custodial capacity.

Private purpose trust funds, a fiduciary fund type, account for donations for which the donor has stipulated that both the principal and income may be used for specific purposes that benefit parties outside the District. The District's private purpose trust fund is a scholarship fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources, as they are needed.

Note 4 - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

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. Investments are reported at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30 - 50
Buildings improvements	7 - 20
Vehicles	5 -10
Computer equipment	3 -7

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

Deferred Outflows/Inflows of Resources

Deferred outflows/inflows of resources are separate elements of the financial statements. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes and for its proportionate share of TRS’s deferred inflow related to pensions as described in Note 11 and its OPEB liability as described in Note 12. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has deferred outflows of resources for its proportionate share of TRS’s deferred outflow related to pensions as described in Note 11 and for its proportionate share of TRS-Care’s deferred outflow related to OPEB as described in Note 12.

Pensions

The fiduciary net position of the 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.

OPEB

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 relating 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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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.

Implementation of GASB Statement No. 75

As of September 1, 2017, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expenses. The effect of the implementation of this standard on beginning net position is disclosed in Note 17 and the additional disclosures required by this standard is included in Note 12.

Note 5 - Stewardship, Compliance and Accountability

Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting Resource (FAR) 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 are set up with project-length budgets that do not correspond to the District's fiscal year.

Note 6 - Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application* 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 three-level fair value hierarchy as follows:

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.

Note 7 - Detailed Notes on All Funds

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 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.

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that they complied with all significant requirements of the PFIA and the District's investment policies.

Custodial Credit Risk-Deposits

At August 31, 2018, the District's deposits (cash, certificates of deposit and interest-bearing savings accounts including temporary investments) were entirely covered by pledged collateral held by the District's agent bank in the District's name or by federal deposit insurance.

Investments

State statutes and Board policy authorize the District to invest in 1) obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009; 2) certificates of deposit and share certificates as permitted by Government Code 2256.010; 3) fully collateralized repurchase agreements permitted by Government Code 2256.011; 4) a securities lending program as permitted by Government Code 2256.0115; 5) banker's acceptances as permitted by Government Code 2256.013; 6) commercial paper as permitted by Government Code 2256.013; 7) No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014; 8) a guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and 9) public funds investment pools as permitted by Government Code 2256.016. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC) or obligations of items 1-4 above at 102% of the investment's market value.

Concentration of Credit Risk

The District's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturing scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user.

Interest Rate Risk

The District's investment policy states that any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

The following table presents the investments at August 31, 2018:

Investment Type	Fair Value	Weighted Average Maturity (Days)*	Rating
Lone Star	\$ 1,648,805	20	AAAm
TexPool	14,203,196	28	AAAm
Total	15,852,001		
Investments held in private purpose trust funds			
Life insurance	32,136		
Total investments	\$ 15,884,137		

*To arrive at weighted average maturity, the maturity of floating rate and variable rate securities was deemed to be the final maturity of such securities.

Lone Star

Lone Star Investment Pool is governed by an 11-member board and is a AAA rated investment program tailored to the investment needs of local governments within the state of Texas. Lone Star Investment Pool assists governments across Texas make the most of taxpayer dollars. Local officials can improve the return on their invested balances by pooling their money with other entities to achieve economies of scale in a conservative fund in full compliance with the Texas Public Funds Investment Act. Lone Star Investment Pool is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. Lone Star is administered by First Public LLC, who also serves as the investment advisor. Lone Star uses amortized cost rather than market value to report net assets to compute share prices. The reported value of the pool is the same as the fair value of the pool shares.

TexPool

The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool Shares. Audited financial statements of the pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Property Tax

In the governmental fund financial statements, property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid before February 1 of the year following the October 1 levy date. The assessed value of the property tax roll (net of exemptions), upon which the levy for the August 31, 2018 fiscal year was based, was \$1,157,439,213. Taxes are delinquent if not paid before February 1. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Current tax collections for the year ended August 31, 2018 were 98.5% of the year-end adjusted tax levy. Allowances for uncollectible taxes are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled \$663,559.

The tax rate to finance general governmental services was \$1.17 per \$100 and the tax rate to finance interest and sinking obligations was \$.26 per \$100 for the year ended August 31, 2018.

Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2018, are summarized below;

<u>Governmental Activities</u>	<u>State Grants/ Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General Fund	\$ 151,194	\$ -	\$ 151,194
Nonmajor Governmental Funds	1,730	499,898	501,628
	<u>\$ 152,924</u>	<u>\$ 499,898</u>	<u>\$ 652,822</u>

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2018, is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund		
Nonmajor governmental funds	\$ 315,438	\$ 11,412
Fiduciary funds	500	-
Nonmajor Governmental Funds		
General fund	11,412	315,438
Fiduciary Funds		
General fund	-	500
	<u>\$ 327,350</u>	<u>\$ 327,350</u>
Totals		

Interfund receivables and payables were recorded to eliminate cash deficit balances and to record temporary interfund borrowing.

Interfund Transfers

Interfund transfers as of August 31, 2018, consisted of the following individual amounts:

	<u>Transfer in</u>	<u>Transfer out</u>
Governmental Funds		
National breakfast and lunch program	\$ 100,000	\$ -
General fund	-	100,000
	<u>\$ 100,000</u>	<u>\$ 100,000</u>

The General Fund transferred \$100,000 to the National Breakfast and Lunch Program to provide for supplemental financing needs.

Note 8 - Capital Assets

Capital asset activity for the year ended August 31, 2018 was as follows:

	Balance 9/1/2017	Additions	Deletions	Balance 8/31/2018
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,133,637	\$ -	\$ -	\$ 2,133,637
Construction in progress	-	798,401	-	798,401
Total capital assets, not being depreciated	<u>2,133,637</u>	<u>798,401</u>	<u>-</u>	<u>2,932,038</u>
Capital assets, being depreciated				
Building and improvements	81,553,125	221,188	-	81,774,313
Furniture and equipment	9,873,276	725,786	(516,767)	10,082,295
Total capital assets being depreciated	<u>91,426,401</u>	<u>946,974</u>	<u>(516,767)</u>	<u>91,856,608</u>
Less accumulated depreciation for				
Building and improvements	(24,653,717)	(1,917,472)	-	(26,571,189)
Furniture and equipment	(6,813,040)	(535,600)	457,706	(6,890,934)
Total accumulated depreciation	<u>(31,466,757)</u>	<u>(2,453,072)</u>	<u>457,706</u>	<u>(33,462,123)</u>
Total capital assets being depreciated, net	<u>59,959,644</u>	<u>(1,506,098)</u>	<u>(59,061)</u>	<u>58,394,485</u>
Total capital assets, net	<u><u>\$ 62,093,281</u></u>	<u><u>\$ (707,697)</u></u>	<u><u>\$ (59,061)</u></u>	<u><u>\$ 61,326,523</u></u>

Depreciation expense was charged to the District's functions as follows

11 Instruction	\$ 1,056,187
12 Instructional Resources and Media Services	28,290
13 Curriculum & Staff Development	23,012
21 Instructional Leadership	14,990
23 School Leadership	109,783
31 Guidance/Counseling/Evaluation Services	77,060
32 Social Work	1,478
33 Health Services	15,623
34 Student Transportation	229,903
35 Food Service	127,020
36 Cocurricular/Extracurricular Activities	95,140
41 General Administration	74,737
51 Plant Maintenance and Operations	405,559
52 Security and Monitoring Operations	10,707
53 Data Processing Services	170,916
61 Community Services	3,800
99 Other Intergovernmental Charges	8,867
	<hr/>
Total depreciation expense	<u><u>\$ 2,453,072</u></u>

Note 9 - Bonds and Other Long-Term Liabilities

The long-term indebtedness of the District pertains to the Governmental Activities of the District. Expenditures for the debt service requirements of the long-term debt are accounted for in the interest and sinking fund.

A summary of changes in bonds payable for the year ended August 31, 2018 is as follows:

	Interest Rate Payable	Amount Original Issued	Balance 9/1/2017	Debt Issued /Additions	Principal Paid /Reductions	Balance 8/31/2018	Due Within One Year
Limited Tax Refunding							
Series 2012 Bonds	2.0-3.0%	\$ 8,394,892	\$ 7,709,982	\$ -	\$ (100,000)	\$ 7,609,982	\$ 100,000
Limited Tax Refunding							
Series 2013 Bonds	2.0-5.0%	29,335,000	27,520,000	-	(1,705,000)	25,815,000	1,775,000
Total bonds payable			35,229,982	-	(1,805,000)	33,424,982	1,875,000
Premium on Series 2012-CABs		1,150,114	862,586	-	(63,895)	798,691	63,895
Premium on Series 2012-CIBs		452,871	344,092	-	(22,940)	321,152	22,940
Premium on Series 2013-CIBs		4,492,891	3,404,599	-	(261,892)	3,142,707	261,892
Total bond premiums			4,611,277	-	(348,727)	4,262,550	348,727
Capital appreciation accretion			479,413	108,355	-	587,768	-
Net pension liability			6,434,430	705,810	(1,610,193)	5,530,047	-
Net OPEB liability			19,264,772	1,846	(8,354,512)	10,912,106	-
Total other long-term debt			26,178,615	816,011	(9,964,705)	17,029,921	-
Grand total long-term debt			\$ 66,019,874	\$ 816,011	\$ (12,118,432)	\$ 54,717,453	\$ 2,223,727

Debt service requirements for the District's bonds payable are as follows:

Year Ended August 31	Principal	Interest	Accretion	Total Requirements
2019	\$ 1,875,000	\$ 1,279,739	\$ -	\$ 3,154,739
2020	1,945,000	1,204,839	-	3,149,839
2021	2,025,000	1,126,464	-	3,151,464
2022	2,115,000	1,034,664	-	3,149,664
2023	2,225,000	928,314	-	3,153,314
2024-2028	12,875,000	2,884,294	-	15,759,294
2029-2032	10,364,982	574,425	2,065,018	13,004,425
	<u>\$ 33,424,982</u>	<u>\$ 9,032,739</u>	<u>\$ 2,065,018</u>	<u>\$ 44,522,739</u>

Note 10 - Contingencies

The District is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018, 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 financial statements for such contingencies.

Note 11 - Defined Benefit Pension Plan

Plan Description

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

All employees of public state-supported education institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.02 are covered by the system.

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal year 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for the fiscal years 2016 and 2017.

	Contribution Rates	
	2017	2018
Member	7.70%	7.70%
Non-Employer Contributing Entity (State)	6.80%	6.80%
Employers	6.80%	6.80%
	<hr/>	
	2017	
Member Contributions	\$ 1,568,808	
Employer Contributions	566,927	
NECE On-Behalf Contributions	1,078,914	

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

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

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

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

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2016 to 2115 projection period (100 years)	2116
Inflation	2.50%
Salary Increases, including inflation	3.50% to 9.50%
Ad hoc post-employment benefit changes	None

* If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e., the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and long-Term Expected Real Rate of Return as of August 31, 2017

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%	0.0%	2.2%
Alpha	0.0%	0.0%	1.0%
Total	100.0%		8.7%

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease Discount in Rate (7%)	Discount Rate (8%)	1% Increase Discount in Rate (9%)
Total TRS net pension liability	\$ 53,902,879,534	\$ 31,974,612,699	\$ 13,715,771,590
District's proportionate share of the net pension liability	\$ 9,322,567	\$ 5,530,047	\$ 2,372,159

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

At August 31, 2018, the District reported a liability of \$5,530,047 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 5,530,047
State's proportionate share that is associated with the District	10,596,024
Total	<u>\$ 16,126,071</u>

The net pension liability was measured as of August 31, 2017 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, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was .000172951 which was an increase of .000002676 from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement date.

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

For the year ended August 31, 2018, the District recognized pension expense of \$734,956. Additionally, the District recognized revenue of \$1,077,080 for support provided by the State of Texas.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 80,907	\$ 298,228
Changes in actuarial assumptions	251,902	144,208
Difference between projected and actual investment earnings	-	403,018
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,292,456	362
Contributions paid to TRS subsequent to the measurement date	552,227	-
	<u>\$ 2,177,492</u>	<u>\$ 845,816</u>
Total		

\$552,227 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2018. The other 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:

Year Ended August 31	Pension Expense Amount
2019	\$ 130,235
2020	483,232
2021	103,115
2022	(3,636)
2023	61,553
Thereafter	4,950
	<u>\$ 779,449</u>
Total	

Note 12 - Postemployment Health Benefits

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates
Effective September 1, 2016 - December 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82
<i>*or surviving spouse</i>			

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 changed 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 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employee contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
2018 Employer Contributions	\$ 155,774	
2018 Member Contributions	130,600	
2018 NECE On-Behalf Contributions	268,575	

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

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

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50%
Healthcare Trend Rates ***	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

* Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.

** Includes inflation at 2.50%.

*** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions on all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of ten years.

Other Information

There was a significant plan change adopted in the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Teacher Retirement System of Texas
Asset Allocation and long-Term Expected Real Rate of Return as of August 31, 2017

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation	0.0%	0.0%	2.2%
Alpha	0.0%	0.0%	1.0%
Total	100.0%		8.7%

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

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease Discount in Rate (2.42%)	Discount Rate (3.42%)	1% Increase Discount in Rate (4.42%)
Total TRS net OPEB liability	\$ 51,324,568,976	\$ 43,486,248,635	\$ 37,186,006,400
District's proportionate share of the net OPEB liability	\$ 12,878,994	\$ 10,912,106	\$ 9,331,171

Healthcare Cost Trend Rate Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed health-care cost trend rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total TRS net OPEB liability	\$ 36,206,646,484	\$ 43,486,248,635	\$ 53,038,004,180
District's proportionate share of the net OPEB liability	\$ 9,085,418	\$ 10,912,106	\$ 13,308,950

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

At August 31, 2018, the District reported a liability of \$10,912,106 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	\$ 10,912,106
State's proportionate share that is associated with the District	<u>15,684,251</u>
Total	<u><u>\$ 26,596,357</u></u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the District's proportion of the collective Net OPEB Liability was 0.025093% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

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

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the OPEB liability.

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

1. 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
2. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
3. There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(3,789,819) and revenue of \$282,327 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 227,798
Changes in actuarial assumptions	-	4,336,756
Difference between projected and actual investment earnings	1,658	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	49	-
Contributions paid to TRS subsequent to the measurement date	155,774	-
	<hr/>	<hr/>
Total	\$ 157,481	\$ 4,564,554
	<hr/> <hr/>	<hr/> <hr/>

\$155,774 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended August 31, 2018. The other 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>
2019	\$ (602,073)
2020	(602,073)
2021	(602,073)
2022	(602,073)
2023	(602,487)
Thereafter	<u>(1,552,068)</u>
Total	<u><u>\$ (4,562,847)</u></u>

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 TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments have been recognized as equal revenues and expenditures by the District in the amount of \$63,746, \$61,333 and \$75,024 for the years ended August 31, 2018, 2017 and 2016, respectively.

Note 13 - Revenues from Local and Intermediate Sources

For the year ended August 31, 2018, revenues from local and intermediate sources for governmental fund types consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 13,395,524	\$ 3,130,472	\$ 16,525,996
Food service sales	-	463,899	463,899
Rent	51,539	-	51,539
Gifts and bequests	66,266	-	66,266
Investment income	261,627	32,924	294,551
Campus activity related income	-	438,266	438,266
Penalties, interest, and other tax related income	145,406	35,035	180,441
Cocurricular student activities	161,828	-	161,828
Other	175,595	3,230	178,825
Total	<u>\$ 14,257,785</u>	<u>\$ 4,103,826</u>	<u>\$ 18,361,611</u>

Note 14 - Vacation and Sick Leave

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. Vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements if determined to be material at year end. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Note 15 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 16 - Fund Balance

The District classifies governmental fund balance in accordance with GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District had fund balance reserved for nonspendable inventory and prepaid items of \$186,420 and \$6,175, respectively, at August 31, 2018.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. As of August 31, 2018, \$112,548 was restricted for federal and state grants for food service. Fund balance restricted for the retirement of funded indebtedness totaled \$1,382,405 as of August 31, 2018.

Committed fund balance is established and modified by a resolution from the District's Board and can be used only for the specific purposes determined by the Board's resolution. At August 31, 2018, \$3,500,000 was committed for construction, \$2,500,000 was committed for instructional technology, and \$373,778 was committed for campus activities.

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board has delegated the authority to assign fund balance to the Superintendent and the Chief Financial Officer. At August 31, 2018, the District has no assigned funds.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

The District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District does not have a formal minimum fund balance policy.

Note 17 - Prior Period Adjustments

As of September 1, 2017, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of this standard replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position for governmental activities was restated to adopt the provisions of GASB Statement No. 75 to report the beginning total OPEB liability, and deferred outflows of resources related to contributions made after the measurement date as follows:

Net position - August 31, 2017, as previously reported	\$ 38,158,695
Add net OPEB liability under GASB Statement No. 75 at August 31, 2017	(19,264,772)
Deferred outflows of resources related to contributions made during the year ended August 31, 2017	<u>130,460</u>
Net position - September 1, 2017, as restated	19,024,383



Required Supplementary Information
August 31, 2018

Lampasas Independent School District

Lampasas Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
(Exhibit G-1)
Year Ended August 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget
		Original	Final		Positive or (Negative)
	Revenues				
5700	Total local and intermediate sources	\$ 13,689,130	\$ 14,163,747	\$ 14,257,785	\$ 94,038
5800	State program revenues	15,672,950	15,622,950	15,753,580	130,630
5900	Federal program revenues	230,000	343,000	417,156	74,156
5020	Total revenues	29,592,080	30,129,697	30,428,521	298,824
	Expenditures				
	Current				
0011	Instruction	15,159,434	15,031,179	14,823,204	207,975
0012	Instructional resources and media services	371,394	380,908	373,684	7,224
0013	Curriculum and instructional staff development	356,553	326,892	289,488	37,404
0021	Instructional leadership	537,823	561,082	548,224	12,858
0023	School leadership	1,715,144	1,703,521	1,680,924	22,597
0031	Guidance, counseling, and evaluation services	956,480	941,198	926,103	15,095
0032	Social work services	24,891	25,491	26,132	(641)
0033	Health services	264,949	261,574	251,507	10,067
0034	Student (pupil) transportation	2,206,281	2,004,281	1,807,854	196,427
0036	Extracurricular activities	1,440,930	1,537,157	1,491,091	46,066
0041	General administration	1,317,040	1,349,916	1,277,200	72,716
0051	Facilities maintenance and operations	4,463,591	4,320,541	3,955,649	364,892
0052	Security and monitoring services	158,780	206,910	196,547	10,363
0053	Data processing services	1,154,701	1,139,701	1,075,853	63,848
0061	Community services	52,100	53,100	48,567	4,533
0081	Facilities acquisition and construction	-	1,437,000	798,401	638,599
	Intergovernmental				
0099	Other intergovernmental charges	171,000	171,000	167,659	3,341
6030	Total expenditures	30,351,091	31,451,451	29,738,087	1,713,364
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(759,011)	(1,321,754)	690,434	2,012,188
	Other Financing Sources (Uses)				
7912	Sale of real and personal property	-	-	17,636	17,636
8911	Transfers out (use)	(125,000)	(125,000)	(100,000)	25,000
7080	Total other financing sources (uses)	(125,000)	(125,000)	(82,364)	42,636
1200	Net Change in Fund Balances	(884,011)	(1,446,754)	608,070	2,054,824
0100	Fund Balance - September 1 (Beginning)	14,770,850	14,770,850	14,770,850	-
3000	Fund Balance - August 31 (Ending)	\$ 13,886,839	\$ 13,324,096	\$ 15,378,920	\$ 2,054,824

Lampasas Independent School District
Schedule of District's Proportionate Share of the Net Pension Liability – Teacher Retirement System to Texas
(Exhibit G-2)
Year Ended August 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.017295%	0.017028%	0.016585%	0.010486%
District's proportionate share of net pension liability	\$ 5,530,047	\$ 6,434,430	\$ 5,862,718	\$ 2,800,955
State's proportionate share of the net pension liability associated with the District	<u>10,596,024</u>	<u>12,693,151</u>	<u>12,150,577</u>	<u>10,562,127</u>
Total	<u>\$ 16,126,071</u>	<u>\$ 19,127,581</u>	<u>\$ 18,013,295</u>	<u>\$ 13,363,082</u>
District's covered payroll	\$ 20,374,127	\$ 19,639,936	\$ 18,435,320	\$ 18,382,681
District's proportionate share of net pension liability as a percentage of its covered payroll	27.14%	32.76%	31.80%	15.24%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.23%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability with is August 31 of the preceding fiscal year.

Note: Plan information was unavailable prior to 2014.

Lampasas Independent School District
Schedule of District's Contributions – Teacher Retirement System to Texas (Exhibit G-3)
Year Ended August 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 552,227	\$ 566,927	\$ 541,006	\$ 491,100
Contribution in relation to the contractually required contribution	<u>(552,227)</u>	<u>(566,927)</u>	<u>(541,006)</u>	<u>(491,100)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	20,092,211	20,374,127	19,639,936	18,435,320
Contributions as a percentage of covered payroll	2.75%	2.78%	2.75%	2.66%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note: Plan information was unavailable prior to 2014.

Lampasas Independent School District
Schedule of the District's Proportionate Share of the Net OPEB Liability (Exhibit G-4)
Year Ended August 31, 2018

	<u>2018</u>
District's proportion of the net OPEB liability	0.025093%
District's proportionate share of net OPEB liability	\$ 10,912,106
State's proportionate share of the net OPEB liability associated with the District	<u>15,684,251</u>
Total	<u><u>\$ 26,596,357</u></u>
District's covered payroll	\$ 20,374,127
District's proportionate share of net OPEB liability as a percentage of its covered payroll	53.56%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

Note: The information disclosed for each fiscal year is reported as of the measurement date of the net OPEB liability with is August 31 of the preceding fiscal year.

Note: Plan information was unavailable prior to 2018.

Lampasas Independent School District
Schedule of the District's Contributions to the OPEB (Exhibit G-5)
Year Ended August 31, 2018

	<u>2018</u>
Contractually required contribution	\$ 155,774
Contribution in relation to the contractually required contribution	<u>(155,774)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
District's covered payroll	20,092,211
Contributions as a percentage of covered payroll	0.78%

Note: The information disclosed for each fiscal year is reported as of the District's fiscal year-end date.

Note: Plan information was unavailable prior to 2018.

Note 1 - Budget

Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

Once a budget is approved, it can be amended by function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law. Each amendment is controlled by the Director of Accounting at the revenue and expenditure fund/function level. Budget amounts are as amended by the Board. All budget appropriations lapse at year end.

Note 2 - Net Pension Liability – Teachers Retirement System

Changes of Benefit Terms

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

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There are no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

There were no changes of assumptions during the measurement period.

Note 3 - OPEB

Changes of Benefit Terms

There was a significant plan change adopted in the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.



Other Supplementary Information
August 31, 2018

Lampasas Independent School District

		211	224	225	240	242	244
Data Control Codes		ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program	Summer Feeding Program	Career and Technical - Basic Grant
Assets							
1110	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 143,034	\$ 5,787	\$ -
1120	Investments	-	-	-	267	-	-
1220	Property taxes - delinquent	-	-	-	-	-	-
1230	Allowance for uncollectible taxes	-	-	-	-	-	-
1240	Receivables from other governments	194,286	193,983	3,450	64,499	-	11,123
1260	Due from other funds	-	-	-	11,242	-	-
1290	Other receivables	-	-	-	-	-	-
1410	Prepayments	-	-	-	-	-	-
1000	Total assets	194,286	193,983	3,450	219,042	5,787	11,123
Deferred Outflows of Resources							
1700	Deferred outflows	-	-	-	-	-	-
	Total assets and deferred outflows	<u>\$194,286</u>	<u>\$193,983</u>	<u>\$ 3,450</u>	<u>\$ 219,042</u>	<u>\$ 5,787</u>	<u>\$ 11,123</u>
Liabilities							
2110	Accounts payable	\$ -	\$ -	\$ -	\$ 71,121	\$ -	\$ -
2160	Accrued wages payable	55,134	60,440	1,153	40,135	-	4,259
2170	Due to other funds	139,152	133,543	2,297	1,025	-	6,864
2000	Total liabilities	194,286	193,983	3,450	112,281	-	11,123
Deferred Inflows of Resources							
2600	Unavailable revenue - property taxes	-	-	-	-	-	-
	Total deferred inflows of resources	-	-	-	-	-	-
Fund Balances							
3430	Nonspendable - prepaid items	-	-	-	-	-	-
3450	Restricted - federal or state funds grant	-	-	-	106,761	5,787	-
3480	Restricted - retirement of long-term debt	-	-	-	-	-	-
3545	Committed - other	-	-	-	-	-	-
3000	Total fund balances	-	-	-	106,761	5,787	-
4000	Total liabilities, deferred inflows and fund balances	<u>\$194,286</u>	<u>\$193,983</u>	<u>\$ 3,450</u>	<u>\$ 219,042</u>	<u>\$ 5,787</u>	<u>\$ 11,123</u>

Lampasas Independent School District
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit H-1)
Year Ended August 31, 2018

<u>255</u>	<u>270</u>	<u>289</u>	<u>397</u>	<u>410</u>	<u>461</u>		<u>599</u>	
ESEA II, A Training and Recruiting	ESEA IV, B Rural and Low Income	Other Federal Special Revenue Funds	Advanced Placement Incentives	Instructional Materials Allotment	Campus Activity Funds	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 29,311	\$ 379,637	\$ 557,769	\$ 1,120	\$ 558,889
-	-	-	-	-	-	267	1,366,248	1,366,515
-	-	-	-	-	-	-	182,028	182,028
-	-	-	-	-	-	-	(51,358)	(51,358)
23,266	4,936	4,355	-	-	-	499,898	1,730	501,628
-	-	-	-	-	170	11,412	-	11,412
-	-	-	-	-	166	166	-	166
-	-	-	-	-	2,566	2,566	-	2,566
23,266	4,936	4,355	-	29,311	382,539	1,072,078	1,499,768	2,571,846
-	-	-	-	-	-	-	-	-
<u>\$ 23,266</u>	<u>\$ 4,936</u>	<u>\$ 4,355</u>	<u>\$ -</u>	<u>\$ 29,311</u>	<u>\$ 382,539</u>	<u>\$ 1,072,078</u>	<u>\$1,499,768</u>	<u>\$ 2,571,846</u>
\$ -	\$ -	\$ -	\$ -	\$ 29,311	\$ 6,195	\$ 106,627	\$ -	\$ 106,627
-	-	-	-	-	-	161,121	-	161,121
23,266	4,936	4,355	-	-	-	315,438	-	315,438
23,266	4,936	4,355	-	29,311	6,195	583,186	-	583,186
-	-	-	-	-	-	-	119,634	119,634
-	-	-	-	-	-	-	119,634	119,634
-	-	-	-	-	2,566	2,566	-	2,566
-	-	-	-	-	-	112,548	-	112,548
-	-	-	-	-	-	-	1,380,134	1,380,134
-	-	-	-	-	373,778	373,778	-	373,778
-	-	-	-	-	376,344	488,892	1,380,134	1,869,026
<u>\$ 23,266</u>	<u>\$ 4,936</u>	<u>\$ 4,355</u>	<u>\$ -</u>	<u>\$ 29,311</u>	<u>\$ 382,539</u>	<u>\$ 1,072,078</u>	<u>\$1,499,768</u>	<u>\$ 2,571,846</u>

		211	224	225	240	242	244
Data Control Codes		ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool	National Breakfast and Lunch Program	Summer Feeding Program	Career and Technical - Basic Grant
Revenues							
5700	Local and intermediate sources	\$ -	\$ -	\$ -	\$ 467,924	\$ 305	\$ -
5800	State program revenues	-	-	-	8,771	-	-
5900	Federal program revenues	628,564	597,321	9,596	1,012,788	19,875	34,533
5020	Total revenues	628,564	597,321	9,596	1,489,483	20,180	34,533
Expenditures							
Current							
0011	Instruction	555,206	587,091	9,596	-	-	-
0012	Instructional resources and media	-	-	-	-	-	-
0013	Curriculum and instructional staff development	53,632	-	-	-	-	-
0021	Instructional leadership	12,083	-	-	-	-	-
0023	School leadership	-	-	-	-	-	-
0031	Guidance, counseling and evaluation services	-	10,230	-	-	-	34,533
0032	Social work services	-	-	-	-	-	-
0034	Student (pupil) transportation	-	-	-	-	-	-
0035	Food services	-	-	-	1,502,787	17,387	-
0036	Extracurricular activities	-	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	48,321	-	-
0053	Data processing services	-	-	-	-	-	-
0061	Community services	7,643	-	-	-	-	-
Debt service							
0071	Principal on long-term debt	-	-	-	-	-	-
0072	Interest on long-term debt	-	-	-	-	-	-
0073	Other debt service costs	-	-	-	-	-	-
6030	Total expenditures	628,564	597,321	9,596	1,551,108	17,387	34,533
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(61,625)	2,793	-
Other Financing Sources (Uses)							
7915	Operating transfers in	-	-	-	100,000	-	-
7080	Total other financing sources (uses)	-	-	-	100,000	-	-
1200	Net Change in Fund Balance	-	-	-	38,375	2,793	-
0100	Fund Balance, September 1 (Beginning)	-	-	-	68,386	2,994	-
3000	Fund Balance, August 31 (Ending)	\$ -	\$ -	\$ -	\$ 106,761	\$ 5,787	\$ -

Lampasas Independent School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit H-2)
Year Ended August 31, 2018

255	270	289	397	410	461		599	
ESEA II, A Training and Recruiting	ESEA IV, B Rural and Low Income	Other Federal Special Revenue Funds	Advanced Placement Incentives	Instructional Materials Allotment	Campus Activity Funds	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 441,404	\$ 909,633	\$ 3,194,193	\$ 4,103,826
-	-	-	72	595,183	1,336	605,362	133,748	739,110
103,249	55,575	19,010	-	-	-	2,480,511	-	2,480,511
103,249	55,575	19,010	72	595,183	442,740	3,995,506	3,327,941	7,323,447
-	-	-	72	595,183	-	1,747,148	-	1,747,148
-	-	-	-	-	-	-	-	-
103,249	55,575	19,010	-	-	-	231,466	-	231,466
-	-	-	-	-	-	12,083	-	12,083
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	44,763	-	44,763
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,520,174	-	1,520,174
-	-	-	-	-	410,663	410,663	-	410,663
-	-	-	-	-	-	48,321	-	48,321
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,643	-	7,643
-	-	-	-	-	-	-	1,805,000	1,805,000
-	-	-	-	-	-	-	1,351,340	1,351,340
-	-	-	-	-	-	-	6,000	6,000
103,249	55,575	19,010	72	595,183	410,663	4,022,261	3,162,340	7,184,601
-	-	-	-	-	32,077	(26,755)	165,601	138,846
-	-	-	-	-	-	100,000	-	100,000
-	-	-	-	-	-	100,000	-	100,000
-	-	-	-	-	32,077	73,245	165,601	238,846
-	-	-	-	-	344,267	415,647	1,214,533	1,630,180
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 376,344	\$ 488,892	\$ 1,380,134	\$ 1,869,026



Required TEA Schedules
August 31, 2018

Lampasas Independent School District

	1	2	3
	Tax Rates		Assessed/ Appraised Value for School Tax Purposes
<u>Last Ten Years Ended August 31</u>	<u>Maintenance</u>	<u>Debt Service</u>	
2009 (and prior years)	Various	Various	Various
2010	1.040000	0.460000	929,047,467
2011	1.170000	0.290000	941,965,510
2012	1.170000	0.290000	963,919,347
2013	1.170000	0.290000	986,530,595
2014	1.170000	0.280000	1,024,415,583
2015	1.170000	0.280000	1,051,797,793
2016	1.170000	0.260000	1,053,066,317
2017	1.170000	0.260000	1,083,800,969
2018 (school year under audit)	1.170000	0.260000	1,157,439,213
1000 Totals			

Lampasas Independent School District
Schedule of Delinquent Taxes Receivable (Exhibit J-1)
Year Ended August 31, 2018

10	20	31	32	40	50
Beginning Balance September 1, 2017	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance August 31, 2018
\$ 96,905	\$ -	\$ 13,424	\$ 1,440	\$ (486)	\$ 81,555
24,386	-	1,685	809	(68)	21,824
27,362	-	2,893	752	-	23,717
41,568	-	5,251	1,304	(349)	34,664
52,411	-	8,070	1,885	1,800	44,256
86,442	-	16,128	3,827	6,679	73,166
107,714	-	20,903	4,918	6,071	87,964
150,415	-	35,011	7,978	6,957	114,383
291,509	-	119,447	27,089	467	145,440
-	16,551,381	13,127,437	3,069,814	(48,626)	305,504
<u>\$ 878,712</u>	<u>\$ 16,551,381</u>	<u>\$ 13,350,249</u>	<u>\$ 3,119,816</u>	<u>\$ (27,555)</u>	<u>\$ 932,473</u>

Lampasas Independent School District
 Budgetary Comparison Schedule – Child Nutrition Fund (Exhibit J-4)
 Year Ended August 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)
		Original	Final		
	Revenues				
5700	Total local and intermediate sources	\$ 507,410	\$ 465,460	\$ 467,924	\$ 2,464
5800	State program revenues	9,300	9,300	8,771	(529)
5900	Federal program revenues	1,101,170	1,008,120	1,012,788	4,668
5020	Total revenues	1,617,880	1,482,880	1,489,483	6,603
	Expenditures				
	Current				
0035	Food service	1,681,980	1,594,730	1,502,787	91,943
0051	Plant maintenance	60,900	58,150	48,321	9,829
6030	Total expenditures	1,742,880	1,652,880	1,551,108	101,772
1100	Excess (Deficiency) of Revenue Over (Under) Expenditures	(125,000)	(170,000)	(61,625)	108,375
	Other Financing Sources (Uses)				
7915	Transfers in	125,000	125,000	100,000	(25,000)
7080	Total other financing sources (uses)	125,000	125,000	100,000	(25,000)
1200	Change in Fund Balance	-	(45,000)	38,375	83,375
0100	Fund Balance, September 1 (Beginning)	68,386	68,386	68,386	-
3000	Fund Balance, August 31 (Ending)	\$ 68,386	\$ 23,386	\$ 106,761	\$ 83,375

Lampasas Independent School District
 Budgetary Comparison Schedule – Debt Service Fund (Exhibit J-5)
 Year Ended August 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance with Final Budget Positive or (Negative)
		Original	Final		
	Revenues				
5700	Total local and intermediate sources	\$ 3,010,100	\$ 3,177,400	\$ 3,194,193	\$ 16,793
5800	State program revenues	131,062	133,762	133,748	(14)
5020	Total revenues	3,141,162	3,311,162	3,327,941	16,779
	Expenditures				
	Debt service				
0071	Principal on long-term debt	1,805,000	1,805,000	1,805,000	-
0072	Interest on long-term debt	1,351,340	1,351,340	1,351,340	-
0073	Bond issuance cost and fees	7,499	7,499	6,000	1,499
6030	Total expenditures	3,163,839	3,163,839	3,162,340	1,499
1200	Change in Fund Balance	(22,677)	147,323	165,601	18,278
0100	Fund Balance, September 1 (Beginning)	1,214,533	1,214,533	1,214,533	-
3000	Fund Balance, August 31 (Ending)	\$ 1,191,856	\$ 1,361,856	\$ 1,380,134	\$ 18,278



Federal Award Section
August 31, 2018

Lampasas Independent School District



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

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

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 Lampasas Independent School District (the District) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
November 26, 2018



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The Board of Trustees of
Lampasas Independent School District
Lampasas, Texas

Report on Compliance for the Major Federal Program

We have audited Lampasas Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended August 31, 2018. The District's major federal program is 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 the compliance for the District's major federal program 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 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 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended August 31, 2018.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
November 26, 2018

Section 1. Summary of Auditor's Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported

An unmodified opinion was issued on compliance for major programs

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
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Identification of Major Programs:

Child Nutrition Cluster (10.553, 10.555 and 10.559)

Dollar threshold used to distinguish between type A and type B federal programs	\$750,000
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Auditee qualified as a low-risk auditee?	Yes
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Section 2. Findings Related to the Financial Statements which are Required to be Reported in Accordance with *Government Auditing Standards*

The audit disclosed no findings required to be reported.

Section 3. Findings and Questioned Costs for Federal Awards Required to be Reported Under Uniform Guidance

The audit disclosed no findings and questioned costs required to be reported.

Section 4. Schedule of Prior Audit Findings and Questioned Costs

None

Section 5. Status of Prior Year Findings

None

Lampasas Independent School District
Schedule of Expenditures of Federal Awards (Exhibit K-1)
Year Ended August 31, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Direct Program			
Impact Aid - ESEA Title VIII	84.041B		\$ 31,064
Passed through Texas Education Agency			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101141901	573,430
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101141901	55,134
Total CFDA Number 84.010A			628,564
Special Education Cluster			
IDEA - Part B, Formula *	84.027A	186600011419016000	591,536
IDEA - Part B, Formula *	84.027A	196600011419016000	5,785
Total CFDA Number 84.027A			597,321
IDEA - Part B Preschool *	84.173A	186610011419016610	9,596
Total Special Education Cluster			606,917
Career and Technical - Basic Grant	84.048A	18420006141901	30,274
Career and Technical - Basic Grant	84.048A	19420006141901	4,259
Total CFDA Number 84.048A			34,533
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	18694501141901	96,421
ESEA, Title II, Part A - Teacher/Principal Training	84.367A	19694501141901	6,828
Total CFDA Number 84.367A			103,249
ESEA, Title V, Part B - Rural and Low-Income	84.358B	18696001141901	55,575
Total CFDA Number 84.358B			55,575
Title IV, Part A - Student Support/Academic Enrichment	84.424A	18680101141901	14,868
Title IV, Part A - Student Support/Academic Enrichment	84.424A	19680101141901	4,142
Total CFDA Number 84.424A			19,010
Total passed through Texas Education Agency			1,447,848
Total Department of Education			1,478,912
U.S. Department of Agriculture			
Passed through Texas Education Agency			
Child Nutrition Cluster			
School Breakfast Program *	10.553	71401801	196,489
National School Lunch Program - cash assistance *	10.555	71301801	709,619
Summer Feeding*	10.559	71301801	19,875
Total passed through Texas Education Agency			925,983
Passed through Texas Department of Agriculture			
Non-Cash Assistance - Food Distribution Program*	10.555	18-141901	106,680
Total passed through Texas Department of Agriculture			
Total Child Nutrition Cluster			1,032,663
Total Department of Agriculture			1,032,663
Total Expenditures of Federal Awards			\$ 2,511,575

* Clustered Programs as required by 2 CFR Part 200, Appendix XI, Compliance Supplement, April 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2018. The information in the 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, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

School health and related services revenues are considered earned income at the local government level and thus are not included in the Schedule of Expenditures of Federal Awards. The following is a reconciliation of Federal Revenues on Exhibit C-2 to the Schedule of Expenditures of Federal Awards:

Federal Awards per Schedule of Expenditures of Federal Awards	\$ 2,511,575
E-rate	123,068
School Health and Related Services (SHARS)	<u>263,024</u>
Federal program revenues - Exhibit C-2	<u><u>\$ 2,897,667</u></u>

Note 3 - Indirect Cost Rate

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.

Lampasas Independent School District
Schedule of Required Responses to Selected School First Indicators (Exhibit L-1)
August 31, 2018

<u>Data Control Codes</u>	<u>Responses</u>
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4 Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal control 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 District make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8 Did the District not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10 Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year-end.	\$ 587,768
SF11 Net pension assets (1920) at fiscal year-end.	\$ -
SF12 Net pension liabilities (2540) at fiscal year-end.	\$ 5,530,047
SF13 Pension expense (6147) at fiscal year-end, excluding on-behalf pension expense (6144).	\$ -