

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

North Lamar Independent School District  
Annual Financial Report  
For The Year Ended June 30, 2018

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## Introductory Section


CERTIFICATE OF BOARD

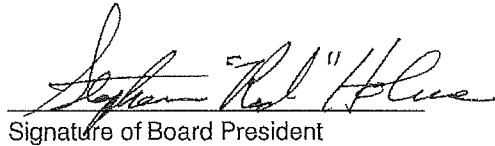
North Lamar Independent School District  
Name of School District

Lamar  
County

139-911  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved \_\_\_\_\_disapproved for the year ended June 30, 2018, at a meeting of the board of trustees of such school district on the 12TH day of November, 2018.

  
Signature of Board Secretary

  
Signature of Board President

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

## Financial Section

# Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA  
Johnna W. McNeal, CPA  
Beverly Smith, CPA

Members of  
American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA  
E. J. Musharbash, CPA  
Les S. Malnory, CPA

## **Independent Auditor's Report**

To the Board of Trustees  
North Lamar Independent School District  
3201 Lewis Lane  
Paris, Texas 75460

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Lamar Independent School District ("the District") as of and for the year ended June 30, 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Lamar Independent School District as of June 30, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Lamar Independent School District's basic financial statements. The introductory section, Schedule of Delinquent Taxes Receivable, and Budgetary Schedules required by Texas Education Agency are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The TEA required schedules and other supplementary information 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 TEA required schedules and other supplementary information 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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018 on our consideration of North Lamar Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Lamar Independent School District's internal control over financial reporting and compliance.

*McInery, McNeal & Company PC*

November 12, 2018  
Paris, Texas

Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of North Lamar Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$17,019,269 at June 30, 2018.
- The total costs of the District's programs were \$30,031,484 as shown on Exhibit C-2 of the financial statements. The total expenditures were \$1,918,101 less than the 2016-2017 school year.
- The general fund reported a fund balance this year of \$8,446,280, a decrease of \$2,176,625 over the previous year's fund balance. Debt service ended the year with \$10,960 fund balance, an increase of \$57.
- The District earned a 2016-2017 School First Rating of Superior.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

#### Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

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

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has 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 at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis of comparative balances and changes therein is inclusive of the current year's and prior year's operations. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the district's governmental activities.

The District's *combined* net position was approximately \$17,019,269 at June 30, 2018. (See Table A-1) The District net position was decreased by \$14,493,547 from the year ending June 30, 2017. Implementation of new accounting pronouncement GASB Statement No. 75 related to accruals of other post-employment benefit liabilities (OPEB) was the primary reason behind the significant decrease in net position for the year. The net effect of GASB 75 on current year net position was approximately \$12.8 million. Unrestricted net position – the part that can be used finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$8,394,765 to (\$6,466,438) due to effects of GASB 75 and 68. Capital assets decreased by \$213,565 due to current year depreciation expense in excess of asset additions. Long-term liabilities increased by \$8,089,198 due to the effects of GASB 75 (TRS OPEB) and GASB 68 (TRS Pension) offset by reductions in outstanding long-term debt balances. Deferred resource outflows related to TRS net pension and OPEB liabilities decreased by \$438,460 and deferred resource inflows related to TRS net pension and OPEB liabilities increased by \$4,122,564. Approximately \$10,961 of the District's restricted net position represents proceeds from local taxes and is restricted for debt service.

The District's total revenues were \$23,326,049 (see Table A-2). Fifty-three percent of the District revenue was realized from local property taxes, while fourteen percent came from state aid. Seventeen percent came from state and federal grants, while thirteen percent came from charges for services and three percent from other resources. The total cost of all programs and services was \$21,903,763; fifty-two percent of these costs are for instruction.

**Table A-1**  
**The District's Net Position**  
**Governmental Activities**

	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$13,250,012	\$15,306,902
Capital and Non-Current	22,382,019	22,168,454
Deferred Outflow Related to Pensions	<u>1,709,710</u>	<u>2,148,170</u>
Total Assets	<u>37,341,741</u>	<u>39,623,526</u>
Current Liabilities	2,611,991	2,818,840
Long Term Liabilities	136,971	209,375
Net Pension Liability	4,055,294	4,741,147
Net OPEB Liability	<u>9,054,304</u>	<u>--</u>
Total Liabilities	<u>15,858,560</u>	<u>7,769,362</u>
Deferred inflow related to pension	<u>4,463,912</u>	<u>341,348</u>
Net Assets Invested in Capital Assets		
Net of Related Debt	22,326,174	22,065,254
Restricted	1,159,533	1,052,797
Unrestricted	<u>(6,466,438)</u>	<u>8,394,765</u>
Total Net Position	<u>\$17,019,269</u>	<u>\$31,512,816</u>

**Table A-2**  
**Change in the District's Net Position**  
**Governmental Activities**

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
<b>Program Revenues:</b>		
Charges for Services	\$ 2,894,010	\$ 2,861,295
Operating Grants and Contributions	3,877,606	3,941,443
<b>General Revenues</b>		
Property Taxes	12,448,051	12,653,343
State Aid – Formula	3,167,768	9,465,847
Investment Earnings	169,942	84,279
Other	<u>768,672</u>	<u>847,708</u>
<b>Total Revenues</b>	<u>23,326,049</u>	<u>29,853,915</u>
<b>Expenses</b>		
Instruction and instructional related	11,292,347	17,660,807
Inst leadership/school administration	1,509,706	2,308,776
Guidance, social work, health, transportation	1,479,889	1,910,944
Food Services	879,263	1,273,920
Extracurricular activities	1,770,254	2,315,114
General Administration	912,759	938,082
Plant Maintenance and security	2,199,478	2,438,518
Security & monitoring	208,095	--
Data Processing	--	55,077
Debt Service	4,022	9,614
Payments to fiscal agent/member districts-shared service arrangement	1,458,659	1,424,108
Intergovernmental charges	<u>189,291</u>	<u>175,294</u>
<b>Total Expenses</b>	<u>21,903,763</u>	<u>30,510,255</u>
<b>Excess (Deficiency) before Other Resources, Uses &amp; Transfers</b>	1,336,178	(728,772)

Other Resources (Uses)	--	--
Decrease in Net Position	1,336,178	(728,772)
Beginning Net Position	31,512,816	32,241,588
Prior Period Adjustment	(15,829,725)	--
Beginning Net Position - Restated	15,683,091	32,241,588
Ending Net Position	\$ 17,019,269	\$ 31,512,816

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

- The cost of all *governmental* activities this year was \$21,903,763.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$12,448,051. Those who directly benefited from some of the programs paid a portion of the cost of \$2,894,010 while some cost was paid by grants and contributions restricted for specific operations of \$3,877,606.

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

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$10,787,369	\$17,045,680	(\$6,673,493)	(\$12,990,129)
Food Service	1,273,920	1,273,920	280,719	(17,811)
Plant Maintenance & Operations	2,199,478	2,208,465	(2,120,039)	(2,120,711)
Cocurricular/Extracurricular	1,770,254	2,315,114	(1,672,337)	(2,186,227)

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$28,241,773 a decrease of 4.5% over the preceding year. General fund costs decreased 4.4% percent the previous year. Expenditures exceeded revenue by \$2,448,021. Property tax rates were lowered for the 2017-2018 school year at 1.04. The District performed forensic phase II testing on two buildings; constructed sidewalks and provided utility hookups; and completion of relocation for 26 portable buildings; purchased a portable restroom trailer; purchased choir risers; installed football field irrigation system; purchased two used maintenance trucks; three A/C units; and washers for the athletic facility. The District also implemented a North Lamar ISD police force employing four resource officers. The District purchased items needed for startup for the new district police force to include four vehicles and additional items needed to complete implementation. There were remodel projects at Bailey, Higgins, Parker and the high school gym restrooms. There were also numerous paint projects throughout the district.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its general fund budget several times. The original budget for the general fund was \$23,021,408 and it ended the year with a total budget of \$24,819,729. Amendments were made to cover expenses for student performance incentive; change order for portables; portable restroom; utilities/sidewalks for portables; forensic studies; numerous renovation projects; expenses for maintenance to insure city compliance; and funds withheld for superintendent buyout. Even through the budget was amended to \$24,819,729 only \$24,321,204 was spent.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2018, the District had invested \$41,151,029 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$1,196,899 over last year.

Table A-4  
District's Capital Assets

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Land	\$ 2,259,376	\$ 2,259,376
Buildings and improvements	31,512,767	30,697,056
Vehicles	5,080,266	4,993,624
Equipment	2,797,752	2,710,462
Infrastructure	1,760,244	1,552,988
Totals at historical cost	43,410,405	42,213,516
Total accumulated depreciation	21,028,385	20,045,052
Net capital assets	\$ <u>22,382,020</u>	\$ <u>22,168,454</u>

### Long-Term Debt

At year-end the District had no bonds and notes outstanding; however, the capital leases and compensated absences decreased \$76,937 net of any additions during the year. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2018-2019 budget preparation was increased due to growth. The general fund budget for the 2018-2019 school year decreased from the previous year's original budget by \$1,015,162. Taking the above factors into consideration, and the change in the tax laws, the district maintained the tax rate for the 2018-2019 school year at \$1.04.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

## Basic Financial Statements

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Data Control Codes		1	Governmental Activities
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$	11,018,161
1225	Property Taxes Receivable (Net)		827,172
1240	Due from Other Governments		1,351,657
1250	Accrued Interest		29,454
1260	Internal Balances		681
1267	Due from Fiduciary		498
1300	Inventories		22,389
Capital Assets:			
1510	Land		2,466,632
1520	Buildings and Improvements, Net		17,542,770
1530	Furniture and Equipment, Net		2,120,689
1590	Infrastructure, Net		251,928
1000	Total Assets		<u>35,632,031</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
	Deferred Outflow Related to Pensions		1,585,387
	Deferred Outflow Related to OPEB		124,323
1700	Total Deferred Outflows of Resources		<u>1,709,710</u>
<b>LIABILITIES:</b>			
2110	Accounts Payable		44,477
2165	Accrued Liabilities		2,467,694
2180	Due to Other Governments		86,108
2300	Unearned Revenue		13,712
Noncurrent Liabilities:			
2501	Due Within One Year		26,724
2502	Due in More Than One Year		110,247
2540	Net Pension Liability		4,055,294
2545	Net OPEB Liability		9,054,304
2000	Total Liabilities		<u>15,858,560</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
	Deferred Inflow Related to Pensions		676,480
	Deferred Inflow Related to OPEB		3,787,432
2600	Total Deferred Inflows of Resources		<u>4,463,912</u>
<b>NET POSITION:</b>			
3200	Net Investment in Capital Assets		22,326,174
Restricted For:			
3850	Debt Service		10,961
3890	Other Purposes		1,148,572
3900	Unrestricted		(6,466,438)
3000	Total Net Position	\$	<u><u>17,019,269</u></u>

The accompanying notes are an integral part of this statement.

## NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 10,787,369	\$ 1,637,446	\$ 2,476,430	\$ (6,673,493)
12	Instructional Resources and Media Services	272,703	24	22,223	(250,456)
13	Curriculum and Staff Development	232,275	13,554	16,057	(202,664)
21	Instructional Leadership	673,321	486,111	223,381	36,171
23	School Leadership	836,385	78	68,316	(767,991)
31	Guidance, Counseling, & Evaluation Services	376,937	36	34,980	(341,921)
32	Social Work Services	44,654	76,650	10,052	42,048
33	Health Services	185,002	17	16,419	(168,566)
34	Student Transportation	873,296	66,775	42,093	(764,428)
35	Food Service	879,263	336,670	823,312	280,719
36	Cocurricular/Extracurricular Activities	1,770,254	50,078	47,839	(1,672,337)
41	General Administration	912,759	70	29,551	(883,138)
51	Facilities Maintenance and Operations	2,199,478	35,634	43,805	(2,120,039)
52	Security and Monitoring Services	208,095	18,695	9,505	(179,895)
72	Interest on Long-term Debt	4,022	--	--	(4,022)
93	Payments Related to Shared Services Arrangements	1,458,659	172,172	13,643	(1,272,844)
99	Other Intergovernmental Charges	189,291	--	--	(189,291)
TG	Total Governmental Activities	21,903,763	2,894,010	3,877,606	(15,132,147)
TP	Total Primary Government	\$ 21,903,763	\$ 2,894,010	\$ 3,877,606	(15,132,147)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				12,431,952
DT	Property Taxes, Levied for Debt Service				16,099
IE	Investment Earnings				169,942
GC	Grants and Contributions Not Restricted to Specific Programs				3,167,768
MI	Miscellaneous				768,672
	Special and Extraordinary Items:				
S2	Special Item Outflow				(86,108)
TR	Total General Revenues				16,468,325
CN	Change in Net Position				1,336,178
NB	Net Position - Beginning				31,512,816
	Prior Period Adjustment				(15,829,725)
	Net Position-Beginning As Restated				15,683,091
NE	Net Position - Ending				\$ 17,019,269

The accompanying notes are an integral part of this statement.



**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2018

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ 9,197,851	\$ 1,820,310	\$ 11,018,161
1225 Taxes Receivable, Net	780,773	46,399	827,172
1240 Due from Other Governments	1,176,383	175,274	1,351,657
1250 Accrued Interest	29,454	--	29,454
1260 Due from Other Funds	165,983	5	165,988
1300 Inventories	4,521	17,868	22,389
1000 Total Assets	<u>11,354,965</u>	<u>2,059,856</u>	<u>13,414,821</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 Accounts Payable	\$ 44,477	\$ --	\$ 44,477
2150 Payroll Deductions & Withholdings	6,204	--	6,204
2160 Accrued Wages Payable	1,805,186	411,308	2,216,494
2170 Due to Other Funds	40	164,769	164,809
2180 Due to Other Governments	86,108	--	86,108
2200 Accrued Expenditures	185,896	59,100	244,996
2300 Unearned Revenue	--	13,712	13,712
2000 Total Liabilities	<u>2,127,911</u>	<u>648,889</u>	<u>2,776,800</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Revenue	780,774	46,400	827,174
2600 Total Deferred Inflows of Resources	<u>780,774</u>	<u>46,400</u>	<u>827,174</u>
<b>FUND BALANCES:</b>			
Nonspendable Fund Balances:			
3410 Inventories	4,521	17,868	22,389
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	201,957	201,957
3480 Retirement of Long-Term Debt	--	10,960	10,960
3490 Other Restrictions of Fund Balance	--	764,137	764,137
Committed Fund Balances:			
3545 Other Committed Fund Balance	--	369,645	369,645
3600 Unassigned	8,441,759	--	8,441,759
3000 Total Fund Balances	<u>8,446,280</u>	<u>1,364,567</u>	<u>9,810,847</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 11,354,965</u>	<u>\$ 2,059,856</u>	<u>\$ 13,414,821</u>

The accompanying notes are an integral part of this statement.

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Total fund balances - governmental funds balance sheet	\$ 9,810,847
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	22,382,019
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	827,174
Payables for capital leases which are not due in the current period are not reported in the funds.	(55,846)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(81,125)
Deferred Resource Inflows related to OPEB are not reported in the funds.	(3,787,432)
Recognition of the District's proportionate share of the net OPEB Liability is not reported in the funds.	(9,054,304)
Deferred Resource Outflows related to OPEB are not reported in the funds.	124,323
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(4,055,294)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(676,480)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>1,585,387</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 17,019,269</u>

The accompanying notes are an integral part of this statement.

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 12,691,076	\$ 3,567,549	\$ 16,258,625
5800 State Program Revenues	9,182,107	442,770	9,624,877
5900 Federal Program Revenues	--	2,358,271	2,358,271
5020 Total Revenues	<u>21,873,183</u>	<u>6,368,590</u>	<u>28,241,773</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	12,293,997	3,218,683	15,512,680
0012 Instructional Resources and Media Services	398,997	--	398,997
0013 Curriculum and Staff Development	313,443	13,200	326,643
0021 Instructional Leadership	468,444	589,527	1,057,971
0023 School Leadership	1,272,779	--	1,272,779
0031 Guidance, Counseling, & Evaluation Services	586,985	--	586,985
0032 Social Work Services	3,975	66,492	70,467
0033 Health Services	279,661	--	279,661
0034 Student Transportation	820,441	57,732	878,173
0035 Food Service	32,598	1,073,436	1,106,034
0036 Cocurricular/Extracurricular Activities	1,436,157	503,083	1,939,240
0041 General Administration	1,148,720	--	1,148,720
0051 Facilities Maintenance and Operations	2,377,490	26,527	2,404,017
0052 Security and Monitoring Services	321,249	12,410	333,659
0071 Principal on Long-term Debt	47,413	--	47,413
0072 Interest on Long-term Debt	3,964	--	3,964
0081 Capital Outlay	1,016,131	--	1,016,131
0093 Payments to Shared Service Arrangements	1,309,469	149,190	1,458,659
0099 Other Intergovernmental Charges	189,291	--	189,291
6030 Total Expenditures	<u>24,321,204</u>	<u>5,710,280</u>	<u>30,031,484</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(2,448,021)</u>	<u>658,310</u>	<u>(1,789,711)</u>
Other Financing Sources and (Uses):			
7912 Sale of Real or Personal Property	10,964	--	10,964
7915 Transfers In	353,286	6,745	360,031
8911 Transfers Out	<u>(6,745)</u>	<u>(353,286)</u>	<u>(360,031)</u>
7080 Total Other Financing Sources and (Uses)	<u>357,505</u>	<u>(346,541)</u>	<u>10,964</u>
<b>SPECIAL ITEM:</b>			
8912 Special Item (Use)	<u>(86,108)</u>	<u>--</u>	<u>(86,108)</u>
1200 Net Change in Fund Balances	<u>(2,176,624)</u>	<u>311,769</u>	<u>(1,864,855)</u>
0100 Fund Balances - Beginning	10,622,904	1,052,798	11,675,702
3000 Fund Balances - Ending	<u>\$ 8,446,280</u>	<u>\$ 1,364,567</u>	<u>\$ 9,810,847</u>

The accompanying notes are an integral part of this statement.

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	\$ (1,864,855)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,220,931
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,003,640)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(3,730)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	14,817
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	47,412
(Increase) decrease in accrued interest from beginning of period to end of period.	(58)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	25,051
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2017 caused the change in the ending net position to increase.	122,906
OPEB contributions made before the measurement date and during the previous fiscal year were also de-expanded recorded as a reduction in net OPEB liability.	(155,192)
The District's proportionate share of the TRS net OPEB expense decreased the change on the net pension.	3,144,598
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of August 31, 2017 caused the change in the ending net position to increase.	368,585
Pension contributions made before the measurement date and during the previous fiscal year were also de-expanded recorded as a reduction in net pension liability.	(354,903)
The District's proportionate share of the TRS net pension expense decreased the change on the net pension.	(225,744)
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,336,178</u>

The accompanying notes are an integral part of this statement.

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

JUNE 30, 2018

		Agency Fund
		Student Activity
Data Control Codes		
	<b>ASSETS:</b>	
1110	Cash and Cash Equivalents	\$ 113,953
1000	Total Assets	<u>113,953</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2170	Due to Other Funds	\$ 1,179
2190	Due to Student Groups	<u>112,774</u>
2000	Total Liabilities	<u>113,953</u>
	<b>NET POSITION:</b>	
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

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

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

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

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

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

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

Special Revenue Funds: These funds account for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

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

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

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

b. Inventories and Prepaid Items

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

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

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Deferred Outflows and Inflows of Resources

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

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

e. Receivable and Payable Balances

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

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

f. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave in a lump case payment to such employee or his/her estate all days at \$50 per day. Subsequent to year end, starting July 1, 2018, upon certain conditions the employee will be compensated per day, subject to some limitations at arate established by the board.

g. Interfund Activity

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



**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

h. Use of Estimates

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

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

Fund Balance Policy The District will strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is thirty-four percent of the total operating expenditures and the Unassigned fund balance is thirty-four percent, which equals approximately four months of the total operating expenditures.

k. Net Position Flow Assumption

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

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

I. Fund Balance Flow Assumptions

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

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' 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.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Deposits and Investments

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

1. Cash Deposits:

At June 30, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$11,132,114 and the bank balance was \$11,454,543. The District's cash deposits at June 30, 2018 and during the year ended June 30, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

2. Investments:

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

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

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

The District's investment at June 30, 2018 is shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
None	N/A	\$ --
Total Investments		<u>\$ --</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

Texas CLASS

The District invests in Texas CLASS, which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The pool is governed by a board of trustees, elected annually by its participants. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the "Participants"), Public Trust Advisors LLC (PTA) as Program Administrator and Wells Fargo Bank Texas, N.A. as Custodian. Texas CLASS is rated at a AAAm or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texas CLASS seeks to maintain a net asset value of \$1 .00 per unit and is designed to be used for investment of funds which may be needed at any time.

D. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,259,376	\$ --	\$ --	\$ 2,259,376
Total capital assets not being depreciated	<u>2,259,376</u>	<u>--</u>	<u>--</u>	<u>2,259,376</u>
Capital assets being depreciated:				
Buildings and improvements	30,697,056	815,711	--	31,512,767
Equipment	2,710,462	111,322	24,032	2,797,752
Vehicles	4,993,624	86,642	--	5,080,266
Infrastructure	1,552,988	207,256	--	1,760,244
Total capital assets being depreciated	<u>39,954,130</u>	<u>1,220,931</u>	<u>24,032</u>	<u>41,151,029</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,408,108)	(561,889)	--	(13,969,997)
Equipment	(1,809,335)	(167,200)	(20,307)	(1,956,228)
Vehicles	(3,575,489)	(225,611)	--	(3,801,100)
Infrastructure	(1,252,120)	(48,940)	--	(1,301,060)
Total accumulated depreciation	<u>(20,045,052)</u>	<u>(1,003,640)</u>	<u>(20,307)</u>	<u>(21,028,385)</u>
Total capital assets being depreciated, net	<u>19,909,078</u>	<u>217,291</u>	<u>3,725</u>	<u>20,122,644</u>
Governmental activities capital assets, net	<u>\$ 22,168,454</u>	<u>\$ 217,291</u>	<u>\$ 3,725</u>	<u>\$ 22,382,020</u>

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Depreciation was charged to functions as follows:

Instruction	\$	438,626
Instructional Resources and Media Services		4,000
Student Transportation		202,246
Food Services		50,402
Extracurricular Activities		158,914
General Administration		8,036
Plant Maintenance and Operations		135,341
Security and Monitoring Services		6,076
	\$	<u>1,003,641</u>

**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at June 30, 2018, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Special Revenue Funds	\$ 165,948	For transfer of federal receipts
General Fund	Debt Service Fund	40	Other
		<u>\$ 165,988</u>	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

Transfers to and from other funds at June 30, 2018, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Debt service fund	\$ 16,377	Transfer debt service excess to general fund. No debt remaining for debt service fund.
General fund	Fund 435 SSA Regional Day School for the Deaf	43,725	Supplement other funds sources
General fund	Fund 437 SSA	252,067	Indirect cost reimbursement
General Fund	Fund 459	41,117	Indirect cost reimbursement
General Fund	National School Breakfast & Lunch	6,745	Supplement other funds sources
	Total	<u>\$ 360,031</u>	

**F. Short-Term Debt Activity**

The District accounts for short-term debts for maintenance purposes through the General Fund.  
The District had no short-term loans.

**G. Long-Term Obligations**

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

# NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Capital leases*	\$ 103,200	\$ --	\$ 47,387	\$ 55,846	\$ 26,724
Compensated absences *	106,175	4,500	29,550	81,125	--
Total governmental activities	<u>\$ 209,375</u>	<u>\$ 4,500</u>	<u>\$ 76,937</u>	<u>\$ 136,971</u>	<u>\$ 26,724</u>

\* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General
Capital Leases	Governmental	Genera

### 2. Debt Service Requirements

The District is committed under various noncancelable operating leases, primarily for office equipment (principally in the General Fund). Future minimum operating lease commitments are as follows:

Debt service requirements on long-term debt at June 30, 2018, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 1,010	\$ 65	\$ 1,075
Totals	<u>\$ 1,010</u>	<u>\$ 65</u>	<u>\$ 1,075</u>

The effective interest rate on capital leases is 12.705%

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 5,710	\$ 456	\$ 6,166
2020	6,002	164	6,166
Totals	<u>\$ 11,712</u>	<u>\$ 620</u>	<u>\$ 12,332</u>

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 8,658	\$ 1,293	\$ 9,951
2020	9,101	850	9,951
2021	9,567	384	9,951
2022	2,468	21	2,489
Totals	<u>\$ 29,794</u>	<u>\$ 2,548</u>	<u>\$ 32,342</u>

The effective interest rate on capital lease is 5.00%.

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 11,346	\$ 353	\$ 11,699
2020	1,983	11	1,994
Totals	<u>\$ 13,329</u>	<u>\$ 364</u>	<u>\$ 13,693</u>

The effective interest rate on capital lease is 4.35%.

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H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 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.

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.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.

3. Benefits Provided

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

4. Contributions

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

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contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016, 2017 and 2018.

	<b><u>Contributions and Rates</u></b>		
	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Member	7.2%	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%	6.8%
Employers	6.8%	6.8%	6.8%
District's Employer Contributions	\$ 397,286	\$ 417,533	\$ 429,416
District's Member Contributions	\$ 1,208,710	\$ 1,328,507	\$ 1,315,101
NECE On-Behalf Contributions to District	\$ 959,761	\$ 1,017,290	\$ 1,012,775

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

**5. Actuarial Assumptions**

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions have been selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and were adopted in September 2015.



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The active mortality rates were based on 90 percent of the RP 2014 Employer Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

**6. Discount Rate**

The discount rate used to measure the total pension liability was 8%. 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 with no cross-over point to a municipal bond rate.

The long-term expected 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**

<b>Asset Class</b>	<b>Target Allocation*</b>	<b>Long-term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-term Portfolio Returns **</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%

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Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns.

\*\* The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

For the fiscal year ended August 31, 2017, the annual money-weighted rate of return on pension plan investments was 12.98 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**7. Discount Rate Sensitivity Analysis**

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

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 6,836,424	\$ 4,055,294	\$ 1,739,552

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

At June 30, 2018, the District reported a liability of \$4,055,294 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	\$ 4,055,294
State's proportionate share that is associated with District	9,901,453
<b>Total</b>	<b>\$ 13,956,747</b>

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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net pension liability was .0126828558% which was an increase of .0001363265% from its proportion measured as of August 31, 2016.

**Changes Since the Prior Actuarial Valuation -**

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

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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 \$1,335,890 and revenue of \$755,243 for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 59,331	\$ 218,697
Changes in actuarial assumptions	184,725	105,751
Difference between projected and actual investment earnings	--	295,541
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	<u>972,746</u>	<u>56,491</u>
Total as of August 31, 2017 measurement date	1,216,802	676,480
Contributions paid to TRS subsequent to the measurement date	<u>368,585</u>	<u>--</u>
Total	<u>\$ 1,585,387</u>	<u>\$ 676,480</u>

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

Year Ended June 30	Pension Expense Amount
2019	\$ 101,654
2020	\$ 360,514
2021	\$ 81,762
2022	\$ (2,947)
2023	\$ (1,957)
Thereafter	\$ 1,295

**J. Other Post-Employment Benefit Plans**

**1. Plan Description**

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

**2. OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That

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report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

**3. Benefits Provided**

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

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 two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

The 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:

Monthly 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
* or surviving spouse			

**4. Contributions**

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% 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 percent or not more than 0.75 percent of the salary of each active

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employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year District contributions	\$	148,121
Current fiscal year Member contributions	\$	306,780
2017 measurement year NECE contributions	\$	160,719

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether they participate in the TRS-Care OPEB program. When 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 NECE in the amount of \$15.6 million. The 85th Texas Legislature, 1st Called Special Session, House Bill 30 provided an additional \$212 million in supplemental funding for the fiscal year 2018-19 biennium to continue to support the program.

#### Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2018, 2017, and 2016, the subsidy payments received by TRS-Care on behalf of the District were \$54,473, \$87,899, and \$70,207, respectively.

#### 5. Actuarial Assumptions

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

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

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

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 for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

**6. 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 not to 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. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

**7. Discount Rate Sensitivity Analysis**

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

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 10,686,327	\$ 9,054,304	\$ 7,742,526

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 7,538,613	\$ 9,054,304	\$ 11,043,082

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

At June 30, 2018, the District reported a liability of \$9,054,304 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	\$ 9,054,304
State's proportionate share that is associated with the District	\$ 13,443,039
Total	<u>\$ 22,497,343</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 District'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 employer's proportion of the collective net OPEB liability was .0208210747%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016, for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

10. Changes Since the Prior Actuarial Valuation

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

- Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option 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.
- 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.
- The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered total OPEB liability.

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- a. 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- b. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- c. 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 provision 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 June 30, 2018, the District recognized OPEB expense of (\$7,487,804) and revenue of \$(4,498,398) for support provided by the State.

At June 30, 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 Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ --	\$ 189,015
Changes in actuarial assumptions	--	3,598,417
Differences between projected and actual investment earnings	1,375	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	<u>42</u>	<u>--</u>
Total as of August 31, 2018	<u>1,417</u>	<u>3,787,432</u>
Contributions paid to TRS subsequent to the measurement date	<u>122,906</u>	
	<u>\$ 124,323</u>	<u>\$ 3,787,432</u>



**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

	Year ended August 31,	Amount
2019		\$ (499,569)
2020		\$ (499,569)
2021		\$ (499,569)
2022		\$ (499,569)
2023		\$ (499,913)
Thereafter		\$ (1,287,828)

**K. Employee Health Care Coverage**

Texas House Bill 3343 created a statewide program for public school employee group health coverage beginning September 1, 2002. The Active Care Plan "the Plan" was authorized by Article 3.50-7 of the Texas Insurance Code and is administered by the Teacher Retirement System of Texas (TRS). Both the TRS and the Texas Education Agency (TEA) have roles in funding the program. The TRS Active Care Plan is a self-funding pool at TRS, but the participating District's are fully insured. The District contributed \$325 per month per employee to the plan. Employees at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to the administrator of the Plan. The contract between the District and the Plan is renewable September 1, 2018, and terms of coverage and contribution costs are included in the contractual provisions. The Plan began September 1, 2002, and the annual financial statements have been filed with the Texas State Board of Insurance.

**L. Commitments and Contingencies**

**1. Contingencies**

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

**2. Litigation**

No reportable litigation was pending against the District at June 30, 2018.

**M. Shared Services Arrangements**

**Shared Services Arrangement - Fiscal Agent**

The District is the fiscal agent for three Shared Services Arrangements ("SSA") which provides services to the member districts listed below.

**Model #2**

The fiscal agent receives the monies from local services and granting agencies and administers the program. The fiscal agent manages the shared services arrangement's financial matters, including budgeting, accounting, auditing and reporting. Certain management decisions may be made by an executive board or committee of participating members.

# NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

Expenditures related to each member district were as follows:

Member Districts	Special Education	IDEA-B Formula	IDEA-B Preschool
North Lamar	\$ 1,086,650	\$ 471,714	\$ 12,164
Chisum	457,767	153,579	2,386
Prairiland	448,400	195,496	2,099
Roxton	88,889	43,472	600
Total	<u>\$ 2,081,706</u>	<u>\$ 864,261</u>	<u>\$ 17,249</u>

Member Districts	Deaf Ed Coop
North Lamar ISD	\$ 151,401
Prairiland ISD	38,045
Chisum ISD	38,045
Roxton ISD	4,680
Detroit ISD	38,045
Paris ISD	56,023
Clarksville ISD	18,971
Cooper ISD	4,680
Rivercrest ISD	4,680
Total	<u>\$ 354,570</u>

### Model #3

Member school districts agree to combine resources to provide a certain service. The fiscal agent manages the shared arrangement's financial matters, including the budgeting, accounting, auditing and reporting. Certain management decisions may be made by an executive board or committee of participating members.

Member Districts	AEP/DAEP Alternative School
North Lamar	\$ 207,047
Chisum	78,165
Prairiland	94,965
Roxton	14,197
Total	<u>\$ 394,374</u>

### N. Subsequent Events

Management has evaluated subsequent events through November 12, 2018, the date the financials were available to be distributed. AEP/DAEP alternative school share service arrangement was disbanded as of July 1, 2018.

### O. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$15,829,725 which resulted in a restated beginning net position balance of \$15,683,091.

### P. Negative Operating Grants and Contributions - Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

Functional Allocation for Pension Expense	Operating Grants & Contributions-Statement of Activities	GASB 75 Negative Government-Wide On-Behalf Adjustment	Operating Grants & Contributions Statement of Activities (excl the effects of GASB 75 negative on-behalf accrual)
11 Instruction	\$ 2,476,430	\$ (2,944,614)	\$ 5,421,044
12 Instructional Resources and Media Services	22,223	(83,094)	105,317
13 Curriculum Development and Instructional Staff Development	16,057	(60,038)	76,095
21 Instructional Leadership	223,381	(204,317)	427,698
23 School Leadership	68,316	(255,433)	323,749
31 Guidance, Counseling and Evaluation Services	34,980	(130,791)	165,771
32 Social Work Services	10,052	(14,861)	24,913
33 Health Services	16,419	(61,390)	77,809
34 Student (Pupil) Transportation	42,093	(137,607)	179,700
35 Food Services	823,312	(121,884)	945,196
36 Extracurricular Activities	47,839	(178,871)	226,710
41 General Administration	29,551	(110,492)	140,043
51 Facilities Maintenance and Operations	43,805	(159,467)	203,272
52 Security and Monitoring Services	9,505	(35,539)	45,044
93 Payments Related to Shared Services Arrangements	13,643	-	13,643
	<u>\$ 3,877,606</u>	<u>\$ (4,498,398)</u>	<u>\$ 8,376,004</u>

**Q. New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards. Each standards has a separate effective date. The new standards and related effective dates are listed below:

- Statement No. 83-Certain Asset Retirement Obligations  
effective for reporting beginning after June 15, 2018
- Statement No. 84-Fiduciary Activities  
effective for reporting periods beginning after December 15, 2018
- Statement No. 87-Leases  
effective for reporting periods beginning after December 15, 2019

GASB Statements No. 84, and 87 when effective are expected to affect the District. The effect has not been calculated. While early implementation is sometimes allowed, the District does not plan to early implement.

**R. Special Item**

North Lamar ISD was found to not have met the Maintenance of Effort for IDEA-B for previous year and the state requested they pay back funds. The District has estimated it owes the State \$86,108 as of June 30, 2018.

## Required Supplementary Information

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

# NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT G-1  
Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 12,609,041	\$ 12,621,880	\$ 12,691,076	\$ 69,196
5800	State Program Revenues	10,064,367	9,979,242	9,182,107	(797,135)
5020	Total Revenues	22,673,408	22,601,122	21,873,183	(727,939)
	<b>EXPENDITURES:</b>				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	12,787,877	12,534,081	12,293,997	240,084
0012	Instructional Resources and Media Services	392,877	400,475	398,997	1,478
0013	Curriculum and Staff Development	207,441	317,145	313,443	3,702
	Total Instruction & Instr. Related Services	13,388,195	13,251,700	13,006,437	245,263
	Instructional and School Leadership:				
0021	Instructional Leadership	434,394	467,833	468,444	(611)
0023	School Leadership	1,298,947	1,317,783	1,272,779	45,004
	Total Instructional & School Leadership	1,733,341	1,785,616	1,741,223	44,393
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	648,541	656,064	586,985	69,079
0032	Social Work Services	3,746	3,926	3,975	(49)
0033	Health Services	291,930	298,767	279,661	19,106
0034	Student (Pupil) Transportation	824,614	835,140	820,441	14,699
0035	Food Services	33,196	33,196	32,598	598
0036	Cocurricular/Extracurricular Activities	1,432,388	1,460,192	1,436,157	24,035
	Total Support Services - Student (Pupil)	3,234,415	3,287,284	3,159,817	127,467
	Administrative Support Services:				
0041	General Administration	880,724	1,201,739	1,148,720	53,019
	Total Administrative Support Services	880,724	1,201,739	1,148,720	53,019
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	1,969,614	2,377,203	2,377,490	(287)
0052	Security and Monitoring Services	295,581	321,296	321,249	47
0053	Data Processing Services	7,730	7,730	--	7,730
	Total Support Services - Nonstudent Based	2,272,925	2,706,229	2,698,739	7,490
	Debt Service:				
0071	Principal on Long-Term Debt	--	47,400	47,413	(13)
0072	Interest on Long-Term Debt	--	4,000	3,964	36
	Total Debt Service	--	51,400	51,377	23
	Capital Outlay:				
0081	Capital Outlay	--	1,016,661	1,016,131	530
	Total Capital Outlay	--	1,016,661	1,016,131	530
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	1,329,808	1,329,808	1,309,469	20,339
0099	Other Intergovernmental Charges	182,000	189,291	189,291	--
	Total Intergovernmental Charges	1,511,808	1,519,099	1,498,760	20,339
6030	Total Expenditures	23,021,408	24,819,729	24,321,204	498,525

# NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT G-1  
Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(348,000)</u>	<u>(2,218,607)</u>	<u>(2,448,021)</u>	<u>(229,414)</u>
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	7,291	10,964	3,673
7915	Transfers In	1,658,193	1,680,477	353,286	(1,327,191)
8911	Transfers Out	<u>(1,310,193)</u>	<u>(1,347,316)</u>	<u>(6,745)</u>	<u>1,340,571</u>
7080	Total Other Financing Sources and (Uses)	<u>348,000</u>	<u>340,452</u>	<u>357,505</u>	<u>17,053</u>
	SPECIAL ITEM:				
8912	Special Item (Use)	--	--	(86,108)	86,108
1200	Net Change in Fund Balance	--	<u>(1,878,155)</u>	<u>(2,176,624)</u>	<u>(298,469)</u>
0100	Fund Balance - Beginning	<u>10,622,904</u>	<u>10,622,904</u>	<u>10,622,904</u>	--
3000	Fund Balance - Ending	<u>\$ 10,622,904</u>	<u>\$ 8,744,749</u>	<u>\$ 8,446,280</u>	<u>\$ (298,469)</u>

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2018

	Measurement Year Ended August 31,			
	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0126828558%	0.0125465293%	0.0135912000%	0.0074072000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,055,294	\$ 4,741,147	\$ 4,804,308	\$ 1,978,565
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	9,901,453	12,075,077	11,454,146	9,964,157
<b>Total</b>	<b>\$ 13,956,747</b>	<b>\$ 16,816,224</b>	<b>\$ 16,258,454</b>	<b>\$ 11,942,722</b>
District's Covered Payroll	\$ 17,409,573	\$ 17,052,953	\$ 16,521,694	\$ 16,496,822
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll	23.29%	27.80%	29.08%	11.99%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Fiscal Year Ended June 30,			
	2018	2017	2016	2015
Contractually Required Contribution	\$ 429,416	\$ 417,533	\$ 397,286	\$ 367,639
Contribution in Relation to the Contractually Required Contribution	<u>(429,416)</u>	<u>(417,533)</u>	<u>(397,286)</u>	<u>(367,639)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 17,071,317	\$ 17,435,277	\$ 16,976,951	\$ 16,494,168
Contributions as a percentage of Covered Payroll	2.52%	2.39%	2.34%	2.23%

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



**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**

EXHIBIT G-4

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Measurement Year Ended August 31, 2017
District's Proportion of the Net OPEB Liability (Asset)	0.0208210747%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 9,054,304
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	13,443,039
Total	<u>\$ 22,497,343</u>
District's Covered Payroll	\$ 17,409,573
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	52.01%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.91%

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

# NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-5

## SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS TEACHER RETIREMENT SYSTEM OF TEXAS FOR THE YEAR ENDED JUNE 30, 2018

	<u>Fiscal Year Ended</u> <u>June 30,</u> <u>2018</u>
Contractually Required Contribution	\$ 148,121
Contribution in Relation to the Contractually Required Contribution	<u>(148,121)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
District's Covered Payroll	\$ 17,071,317
Contributions as a percentage of Covered Payroll	0.87%

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

# **NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018**

### Budget

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

- a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

### **Excess of Expenditures Over Appropriations**

The district expenditures exceeded appropriations in the following funds in the noted function:

<u>Fund</u>	<u>Function</u>
NONE	NONE

### Defined Benefit Pension Plan

#### **Changes of benefit terms:**

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

#### **Changes of assumptions:**

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB., the post-retirement mortality rates for healthy lives were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using Scale BB.

Valuation Date  
Actuarial Cost Method  
Asset Valuation Method

August 31, 2017  
Individual Entry Age Normal  
Market Value

# **NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018

## Actuarial Assumptions:

Single Discount Rate	8%
Long-term Expected Rate of Return	8%
Municipal Bond Rate	N/A*
Inflation	2.5%
Salary Increases*	3.50% to 9.50%, including inflation
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 Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

## Defined Other Post Employment Benefits

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

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 for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

## Other Supplementary Information

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

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Year Ended June 30	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
2009 and Prior Years						
2010		1.04		.1081		833,811,183
2011		1.04		.0965		883,951,542
2012		1.04		.0865		896,247,963
2013		1.04		.0815		918,749,740
2014		1.04		.0711		985,729,793
2015		1.04		.0675		1,089,091,958
2016		1.04		.0675		1,074,053,379
2017		1.04		.0625		1,158,598,303
2018 (School Year Under Audit)		1.04		--		1,188,793,175
1000 Totals						

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

10 Beginning Balance 7/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/18
\$ 168,585	\$ --	\$ 9,978	\$ 1,122	\$ (3,393)	\$ 154,093
37,415	--	982	102	(79)	36,252
45,767	--	866	80	(73)	44,747
45,475	--	971	81	(234)	44,189
52,163	--	1,159	91	(121)	50,793
77,629	--	5,095	348	332	72,518
81,637	--	10,343	671	267	70,890
121,582	--	26,087	1,693	(6,096)	87,706
272,366	--	123,081	7,397	(13,958)	127,930
--	12,363,449	12,122,869	--	(10,616)	229,964
<u>\$ 902,620</u>	<u>\$ 12,363,449</u>	<u>\$ 12,301,430</u>	<u>\$ 11,585</u>	<u>\$ (33,971)</u>	<u>\$ 919,083</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**EXHIBIT J-2**

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ 457,740	\$ 344,138	\$ (113,602)
5800	State Program Revenues	--	6,142	6,142
5900	Federal Program Revenues	699,126	784,572	85,446
5020	Total Revenues	<u>1,156,866</u>	<u>1,134,852</u>	<u>(22,014)</u>
	<b>EXPENDITURES:</b>			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	<u>1,156,866</u>	<u>1,073,436</u>	<u>83,430</u>
	Total Support Services - Student (Pupil)	<u>1,156,866</u>	<u>1,073,436</u>	<u>83,430</u>
6030	Total Expenditures	<u>1,156,866</u>	<u>1,073,436</u>	<u>83,430</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>--</u>	<u>61,416</u>	<u>61,416</u>
	Other Financing Sources (Uses):			
7915	Transfers In	<u>--</u>	<u>6,745</u>	<u>6,745</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>6,745</u>	<u>6,745</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>68,161</u>	<u>68,161</u>
0100	Fund Balance - Beginning	151,351	151,351	--
3000	Fund Balance - Ending	<u>\$ 151,351</u>	<u>\$ 219,512</u>	<u>\$ 68,161</u>



**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018

**EXHIBIT J-3**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 16,377	\$ 16,109	\$ (268)
5800 State Program Revenues	--	325	325
5020 Total Revenues	<u>16,377</u>	<u>16,434</u>	<u>57</u>
<b>EXPENDITURES:</b>			
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>16,377</u>	<u>16,434</u>	<u>57</u>
Other Financing Sources (Uses):			
8911 Transfers Out	<u>(16,377)</u>	<u>(16,377)</u>	<u>--</u>
7080 Total Other Financing Sources and (Uses)	<u>(16,377)</u>	<u>(16,377)</u>	<u>--</u>
1200 Net Change in Fund Balance	--	57	57
0100 Fund Balance - Beginning	10,903	10,903	--
3000 Fund Balance - Ending	<u>\$ 10,903</u>	<u>\$ 10,960</u>	<u>\$ 57</u>

# Malnory, McNeal & Company, PC

## Certified Public Accountants

Mark W. Malnory, CPA  
Johnna W. McNeal, CPA  
Beverly Smith, CPA

Members of  
American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA  
E. J. Musharbash, CPA  
Les S. Malnory, CPA

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

Board of Trustees  
North Lamar Independent School District  
3201 Lewis Lane  
Paris, Texas 75460

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Lamar Independent School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise North Lamar Independent School District's basic financial statements, and have issued our report thereon dated November 12, 2018.

#### **Internal Control Over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

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

## Purpose of this Report

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

*Malnery, McNeal & Company PC*

Certified Public Accountants

November 12, 2018  
Paris, Texas

# Malnory, McNeal & Company, PC

## Certified Public Accountants

Mark W. Malnory, CPA  
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Les S. Malnory, CPA

### Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees  
North Lamar Independent School District  
3201 Lewis Lane  
Paris, Texas 75460

Members of the Board of Trustees:

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

We have audited the North Lamar Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the North Lamar Independent School District's major federal programs for the year ended June 30, 2018. North Lamar Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

In our opinion, the North Lamar Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

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

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

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

*Maenery, McNeal & Company PC*

November 12, 2018  
Paris, Texas

Certified Public Accountants

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants

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

Auditee qualified as low-risk auditee?        Yes   X   No

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

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

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2018

none



**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER:</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71401801	\$ 184,256
National School Lunch Program	10.555	71301801	520,666
Total Passed Through State Department of Education			704,922
Total U. S. Department of Agriculture			704,922
Total Child Nutrition Cluster			704,922
<b>FOOD DISTRIBUTION CLUSTER:</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Agriculture:			
Commodity Supplemental Food Program (Non-cash)	10.565	139-911	79,649
Total U. S. Department of Agriculture			79,649
Total Food Distribution Cluster			79,649
<b>MEDICAID CLUSTER:</b>			
<u>U. S. Department of Health and Human Services</u>			
Passed Through Texas Medical Assistance Program:			
Medicaid Administrative Claiming Program - MAC	93.778	139-911	3,664
Total U. S. Department of Health and Human Services			3,664
Total Medicaid Cluster			3,664
<b>SPECIAL EDUCATION (IDEA) CLUSTER:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
SSA IDEA-B Formula	84.027A	17660001139916600	648
SSA IDEA-B Discretionary	84.027A	176600111399116673	2,441
SSA IDEA-B Formula	84.027A	186600011399116600	863,613
SSA IDEA-B Discretionary	84.027A	186600111399116673	16,901
Total CFDA Number 84.027			883,603
SSA IDEA-B Preschool	84.173A	176610011399116610	101
SSA IDEA-B Preschool	84.173A	186610011399116610	17,149
Total CFDA Number 84.173			17,250
Total Passed Through State Department of Education			900,853
Total U. S. Department of Education			900,853
Total Special Education (IDEA) Cluster			900,853
<b>OTHER PROGRAMS:</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs	84.010a	17610101139911	3,076
ESEA Title I Part A - Improving Basic Programs	84.010a	18610101139911	387,283
Total CFDA Number 84.010a			390,359
Career and Technical - Basic Grant	84.048	18420006139911	25,733
Title III Part A English Language Acquisition and Language Enhancement	84.365A	18671001225950	3,855
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	17694501139911	5,603
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	18694501139911	68,313
Total CFDA Number 84.367a			73,916
Title IV, Part A Subpart 1	84.424a	18680101139911	7,915
Total Passed Through State Department of Education			501,778
Total U. S. Department of Education			501,778
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,190,866

The accompanying notes are an integral part of this schedule.

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of North Lamar Independent School District. The information in the Schedule is presented in accordance with the 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"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Commodity Supplement (CFDA 10.565) received like-kind goods, and grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of these goods was \$79,649 for the year ended June 30, 2018.

The District participates in numerous state and federal grant programs 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 June 30, 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 basic financial statements for such contingency.

**Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

North Lamar Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Reconciliation of Federal Awards**

The following reconciles federal expenditures per the Schedule of Expenditures of Federal Awards (SEFA) to the federal revenue reported on Exhibit C-2:

Federal expenditures per SEFA	\$	2,190,866
SHARS		167,405
Federal revenue per Exhibit C-2	\$	<u>2,358,271</u>

**NORTH LAMAR INDEPENDENT SCHOOL DISTRICT****SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF JUNE 30, 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?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> 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	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 4,055,294
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."