

North Lamar Independent School District

Annual Financial Report

*For the Year Ended
June 30, 2019*

Malnory, McNeal & Company, PC

Certified Public Accountants

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

North Lamar Independent School District
Annual Financial Report
For The Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
 INTRODUCTORY SECTION		
Certificate of Board.....	1	
 FINANCIAL SECTION		
Independent Auditor's Report.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	5	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	10	A-1
Statement of Activities.....	11	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	12	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	13	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	14	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	15	C-3
Statement of Fiduciary Net Position - Fiduciary Funds.....	16	E-1
Notes to the Financial Statements	17	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	42	G-1
Schedule of the District's Proportionate Share of the		
Net Pension Liability - Pension Plan.....	44	G-2
Schedule of District's Contributions - Pension Plan.....	45	G-3
Schedule of the District's Proportionate Share of the		
Net OPEB Liability - OPEB Plan.....	46	G-4
Schedule of District's Contributions - OPEB Plan.....	47	G-5
Notes to Required Supplementary Information.....	48	
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	50	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
National School Breakfast and Lunch Program.....	52	J-3
Report on Internal Control over Financial Reporting and on Compliance and		
Other Matters Based on an Audit of Financial Statements Performed		
in Accordance with <i>Government Auditing Standards</i>	53	
Report on Compliance for Each Major Federal Program and Report on Internal		
Control over Compliance Required by the Uniform Guidance.....	55	

North Lamar Independent School District
Annual Financial Report
For The Year Ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Schedule of Findings and Questioned Costs	57	
Summary Schedule of Prior Audit Findings.....	60	
Corrective Action Plan.....	61	
Schedule of Expenditures of Federal Awards	63	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	64	
Schedule of Required Responses to Selected School First Indicators.....	65	K-2

Introductory Section

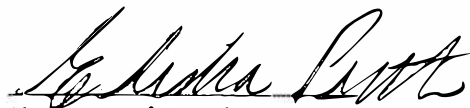
CERTIFICATE OF BOARD

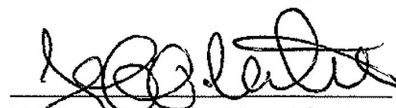
North Lamar Independent School District
Name of School District

Lamar
County

139-911
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above school district were reviewed and (check one) X approved _____disapproved for the year ended June 30, 2019, at a meeting of the board of trustees of such school district on the 11th day of November, 2019.


Signature of Board Secretary


Signature of Board President

If the board of trustees disapprove 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
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Members of
American Institute of Certified Public Accountants
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Elizabeth Hamm, CPA
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Independent Auditor's Report

To the Board of Trustees
North Lamar Independent School District
Paris, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Lamar Independent School District ("the District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary information section, and Schedule of Required Responses to Selected School First Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by 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), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 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 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.

The Schedule of Required Responses to School First Indicators 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 6, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

MaEnery, McNeal & Company PC

Certified Public Accountants

November 6, 2019
Paris, Texas

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, 2019. 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 \$15,571,749 at June 30, 2019.
- The total costs of the District's programs were \$27,874,626 as shown on Exhibit C-2 of the financial statements. The total expenditures were \$2,156,858 less than the 2017-2018 school year.
- The general fund reported a fund balance this year of \$8,491,249, an increase of \$44,969 over the previous year's fund balance.
- The District earned a 2017-2018 School First Rating of a B; above average rating.

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 \$15,571,749 at June 30, 2019. (See Table A-1) The District net position was decreased by \$1,447,520 from the year ending June 30, 2018. Implementation of accounting pronouncement GASB Statement No. 75 related to accruals of other post-employment benefit liabilities (OPEB) was the primary reason behind the decrease in net position for the year. The net effect of GASB 75 on current year net position was approximately \$13.8 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 (\$6,466,438) to (\$7,277,768) due to effects of GASB 75 and 68. Capital assets decreased by \$353,723 due to current year depreciation expense in excess of asset additions. Long-term liabilities increased by \$4,904,582 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 increased by \$2,944,089 and deferred resource inflows related to TRS net pension and OPEB liabilities decreased by \$712,454.

The District's total revenues were \$28,424,609 (see Table A-2). Forty-five percent of the District revenue was realized from local property taxes, while twenty-eight percent came from state aid. Fifteen percent came from state and federal grants, while nine percent came from charges for services and three percent from other resources. The total cost of all programs and services was \$29,861,169, fifty-seven percent of these costs are for instruction.

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

	<u>2019</u>	<u>2018</u>
Current and Other Assets	\$13,502,014	\$13,250,012
Capital and Non-Current	22,028,298	22,382,019
Deferred Outflow Related to Pensions	<u>4,653,799</u>	<u>1,709,710</u>
Total Assets	<u>40,184,111</u>	<u>37,341,741</u>
Current Liabilities	2,709,753	2,611,991
Long Term Liabilities	622,755	136,971
Net Pension Liability	7,022,709	4,055,294
Net OPEB Liability	<u>10,505,687</u>	<u>9,054,304</u>
Total Liabilities	<u>20,860,904</u>	<u>15,858,560</u>
Deferred inflow related to pension	<u>3,751,458</u>	<u>4,463,912</u>
Net Assets Invested in Capital Assets		
Net of Related Debt	21,405,543	22,326,174
Restricted	1,443,974	1,159,533
Unrestricted	<u>(7,277,768)</u>	<u>(6,466,438)</u>
Total Net Position	<u>\$15,571,749</u>	<u>\$17,019,269</u>

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

	<u>2019</u>	<u>2018</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 2,452,300	\$ 2,894,010
Operating Grants and Contributions	4,160,145	3,877,606
General Revenues		
Property Taxes	12,756,656	12,448,051
State Aid – Formula	8,090,617	3,167,768
Investment Earnings	260,716	169,942
Other	<u>704,175</u>	<u>768,672</u>
Total Revenues	<u>28,424,609</u>	<u>23,326,049</u>
Expenses		
Instruction and instructional related	16,971,889	11,292,347
Inst leadership/school administration	2,227,279	1,509,706
Guidance, social work, health, transportation	2,069,695	1,479,889
Food Services	1,262,073	879,263
Extracurricular activities	2,068,548	1,770,254
General Administration	1,039,859	912,759
Plant Maintenance and security	2,218,114	2,199,478
Security & monitoring	290,067	208,095
Data Processing	228,094	--
Community Services	2,844	--

Debt Service	5,112	4,022
Payments to fiscal agent/member districts-shared service arrangement	1,299,669	1,458,659
Intergovernmental charges	<u>177,926</u>	<u>189,291</u>
Total Expenses	29,861,169	21,903,763
Excess (Deficiency) before Other Resources, Uses & Transfers	(1,436,560)	1,336,178
Other Resources (Uses)	--	--
Decrease in Net Position	(1,436,560)	1,336,178
Beginning Net Position	17,019,269	31,512,816
Prior Period Adjustment	(10,960)	(15,829,725)
Beginning Net Position - Restated	<u>17,008,309</u>	<u>15,683,091</u>
Ending Net Position	\$ <u>15,571,749</u>	\$ <u>17,019,269</u>

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 \$29,861,169.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$12,756,656. Those who directly benefited from some of the programs paid a portion of the cost of \$2,452,300 while some cost was paid by grants and contributions restricted for specific operations of \$4,160,145.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	\$16,255,139	\$10,787,369	(\$12,409,197)	(\$6,673,493)
Food Service	1,262,073	1,273,920	(112,377)	280,719
Plant Maintenance & Operations	2,218,114	2,199,478	(2,157,382)	(2,120,039)
Cocurricular/Extracurricular	2,068,548	(1,975,266)	(1,975,266)	(1,672,337)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$27,494,658 a decrease of 2.7% over the preceding year. General fund costs decreased 9.5% percent the previous year. Expenditures exceeded revenue by \$804,813. Property tax rates remained the same for the 2018-2019 school year at 1.04. The District implemented a new energy management system, and added safety improvements on several of the District's campuses. In addition the District leased copiers as is done periodically.

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 \$21,988,588 and it ended the year with a total budget of \$22,764,171. Amendments were made to cover expenses for student performance incentive and other minor items. Even though the budget was amended to \$22,764,171 only \$22,250,521 was spent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had invested \$44,043,337 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 \$632,932 over last year.

Table A-4
District's Capital Assets

	Governmental Activities	
	2019	2018
Land	\$ 2,259,376	\$ 2,259,376
Buildings and improvements	31,581,857	31,512,767
Vehicles	5,090,405	5,080,266
Equipment	3,351,455	2,797,752
Infrastructure	1,760,244	1,760,244
Totals at historical cost	44,043,337	43,410,405
Total accumulated depreciation	22,015,040	21,028,385
Net capital assets	\$ 22,028,297	\$ 22,382,020

Long-Term Debt

At year-end the District had no bonds and notes outstanding; however, the capital leases and compensated absences increased \$26,620 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 \$1,032,820. 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, 2019

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 11,440,042
1225	Property Taxes Receivable (Net)	851,888
1240	Due from Other Governments	1,167,175
1250	Accrued Interest	29,454
1300	Inventories	13,455
	Capital Assets:	
1510	Land	2,259,376
1520	Buildings and Improvements, Net	17,031,434
1530	Furniture and Equipment, Net	2,336,795
1590	Infrastructure, Net	400,693
1000	Total Assets	<u>35,530,312</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Outflow Related to Pensions	3,680,640
	Deferred Outflow Related to OPEB	973,159
1700	Total Deferred Outflows of Resources	<u>4,653,799</u>
LIABILITIES:		
2110	Accounts Payable	99,558
2165	Accrued Liabilities	2,390,066
2180	Due to Other Governments	35,611
2300	Unearned Revenue	184,518
	Noncurrent Liabilities:	
2501	Due Within One Year	105,654
2502	Due in More Than One Year	517,101
2540	Net Pension Liability	7,022,709
2545	Net OPEB Liability	10,505,687
2000	Total Liabilities	<u>20,860,904</u>
DEFERRED INFLOWS OF RESOURCES:		
	Deferred Inflow Related to Pensions	429,307
	Deferred Inflow Related to OPEB	3,322,151
2600	Total Deferred Inflows of Resources	<u>3,751,458</u>
NET POSITION:		
3200	Net Investment in Capital Assets	21,405,543
	Restricted For:	
3820	State and Federal Programs	208,400
3870	Campus Activities	407,339
3890	Other Purposes	828,235
3900	Unrestricted	(7,277,768)
3000	Total Net Position	<u>\$ 15,571,749</u>

The accompanying notes are an integral part of this statement.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Program Revenues		Governmental Activities
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 16,255,139	\$ 1,260,481	\$ 2,585,461	\$ (12,409,197)
12	Instructional Resources and Media Services	323,545	95	15,777	(307,673)
13	Curriculum and Staff Development	393,205	109	43,677	(349,419)
21	Instructional Leadership	911,394	496,969	308,475	(105,950)
23	School Leadership	1,315,885	386	64,106	(1,251,893)
31	Guidance, Counseling, & Evaluation Services	603,576	178	30,563	(572,835)
32	Social Work Services	82,803	81,198	15,493	13,888
33	Health Services	288,108	85	15,861	(272,162)
34	Student Transportation	1,095,208	91,394	51,177	(952,637)
35	Food Service	1,262,073	324,829	824,867	(112,377)
36	Cocurricular/Extracurricular Activities	2,068,548	49,734	43,548	(1,975,266)
41	General Administration	1,039,859	310	40,592	(998,957)
51	Facilities Maintenance and Operations	2,218,114	11,195	49,537	(2,157,382)
52	Security and Monitoring Services	290,067	76	35,306	(254,685)
53	Data Processing Services	228,094	67	13,720	(214,307)
61	Community Services	2,844	--	2,815	(29)
72	Interest on Long-term Debt	5,112	--	--	(5,112)
93	Payments Related to Shared Services Arrangements	1,299,669	135,194	19,170	(1,145,305)
99	Other Intergovernmental Charges	177,926	--	--	(177,926)
TG	Total Governmental Activities	29,861,169	2,452,300	4,160,145	(23,248,724)
TP	Total Primary Government	\$ 29,861,169	\$ 2,452,300	\$ 4,160,145	(23,248,724)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				12,756,656
IE	Investment Earnings				260,716
GC	Grants and Contributions Not Restricted to Specific Programs				8,090,617
MI	Miscellaneous				704,175
TR	Total General Revenues				21,812,164
CN	Change in Net Position				(1,436,560)
NB	Net Position - Beginning				17,019,269
PA	Prior Period Adjustment				(10,960)
	Net Position - Beginning, as Restated				17,008,309
NE	Net Position - Ending				\$ 15,571,749

The accompanying notes are an integral part of this statement.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110 Cash and Cash Equivalents	\$ 9,651,958	\$ 1,788,084	\$ 11,440,042
1225 Taxes Receivable, Net	851,888	--	851,888
1240 Due from Other Governments	676,046	491,129	1,167,175
1250 Accrued Interest	29,454	--	29,454
1260 Due from Other Funds	43,922	--	43,922
1300 Inventories	8,366	5,089	13,455
1000 Total Assets	<u>11,261,634</u>	<u>2,284,302</u>	<u>13,545,936</u>
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ 24,529	\$ 75,029	\$ 99,558
2150 Payroll Deductions & Withholdings	7,525	--	7,525
2160 Accrued Wages Payable	1,721,543	436,123	2,157,666
2170 Due to Other Funds	--	43,922	43,922
2180 Due to Other Governments	--	35,611	35,611
2200 Accrued Expenditures	164,899	59,976	224,875
2300 Unearned Revenue	--	184,518	184,518
2000 Total Liabilities	<u>1,918,496</u>	<u>835,179</u>	<u>2,753,675</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Revenue	851,889	--	851,889
2600 Total Deferred Inflows of Resources	<u>851,889</u>	<u>--</u>	<u>851,889</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 Inventories	8,366	5,089	13,455
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	206,491	206,491
3490 Other Restrictions of Fund Balance	--	830,204	830,204
Committed Fund Balances:			
3545 Other Committed Fund Balance	--	407,339	407,339
3600 Unassigned	8,482,883	--	8,482,883
3000 Total Fund Balances	<u>8,491,249</u>	<u>1,449,123</u>	<u>9,940,372</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 11,261,634</u>	<u>\$ 2,284,302</u>	<u>\$ 13,545,936</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, 2019

Total fund balances - governmental funds balance sheet	\$ 9,940,372
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.	22,028,298
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	851,889
Payables for bond principal which are not due in the current period are not reported in the funds.	(459,164)
Payables for capital leases which are not due in the current period are not reported in the funds.	(72,841)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(90,750)
Deferred Resource Inflows Related to OPEB are not reported in the funds.	(3,322,151)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(10,505,687)
Deferred Resource Outflows related to OPEB are not reported in the funds.	973,159
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(7,022,709)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(429,307)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,680,640
Net position of governmental activities - Statement of Net Position	\$ <u>15,571,749</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, 2019

Data Control Codes	10	Other	98
	General Fund	Governmental Funds	Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 13,097,074	\$ 3,052,420	\$ 16,149,494
5800 State Program Revenues	8,348,634	342,799	8,691,433
5900 Federal Program Revenues	--	2,653,731	2,653,731
5020 Total Revenues	<u>21,445,708</u>	<u>6,048,950</u>	<u>27,494,658</u>
EXPENDITURES:			
Current:			
0011 Instruction	11,793,967	2,985,681	14,779,648
0012 Instructional Resources and Media Services	298,893	--	298,893
0013 Curriculum and Staff Development	343,798	27,639	371,437
0021 Instructional Leadership	162,360	678,027	840,387
0023 School Leadership	1,222,194	2,569	1,224,763
0031 Guidance, Counseling, & Evaluation Services	561,284	325	561,609
0032 Social Work Services	3,950	72,624	76,574
0033 Health Services	267,999	--	267,999
0034 Student Transportation	804,125	81,518	885,643
0035 Food Service	35,312	1,130,337	1,165,649
0036 Cocurricular/Extracurricular Activities	1,427,608	416,465	1,844,073
0041 General Administration	977,943	--	977,943
0051 Facilities Maintenance and Operations	2,037,938	9,430	2,047,368
0052 Security and Monitoring Services	241,697	20,916	262,613
0053 Data Processing Services	211,928	--	211,928
0061 Community Services	--	2,844	2,844
0071 Principal on Long-term Debt	44,295	--	44,295
0072 Interest on Long-term Debt	5,112	--	5,112
0081 Capital Outlay	528,253	--	528,253
0093 Payments to Shared Service Arrangements	1,103,939	195,730	1,299,669
0099 Other Intergovernmental Charges	177,926	--	177,926
6030 Total Expenditures	<u>22,250,521</u>	<u>5,624,105</u>	<u>27,874,626</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(804,813)</u>	<u>424,845</u>	<u>(379,968)</u>
Other Financing Sources and (Uses):			
7913 Issuance of Capital Leases	61,290	--	61,290
7914 Issuance of Non-Current Debt	459,164	--	459,164
7915 Transfers In	329,328	--	329,328
8911 Transfers Out	--	(329,328)	(329,328)
7080 Total Other Financing Sources and (Uses)	<u>849,782</u>	<u>(329,328)</u>	<u>520,454</u>
1200 Net Change in Fund Balances	<u>44,969</u>	<u>95,517</u>	<u>140,486</u>
0100 Fund Balances - Beginning	8,446,280	1,364,566	9,810,846
1300 Prior Period Adjustment	--	(10,960)	(10,960)
Fund Balances - Beginning, as Restated	8,446,280	1,353,606	9,799,886
3000 Fund Balances - Ending	<u>\$ 8,491,249</u>	<u>\$ 1,449,123</u>	<u>\$ 9,940,372</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, 2019

Net change in fund balances - total governmental funds \$ 140,486

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

Capital outlays are not reported as expenses in the SOA.	632,932
The depreciation of capital assets used in governmental activities is not reported in the funds.	(986,653)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	24,354
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	44,295
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(9,625)
Issuance of long-term debt is not a resource in the SOA.	(459,164)
Issuance of capital lease agreement is not a resource in the SOA	(61,290)
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.	118,501
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.	(122,906)
The District's proportionate share of the TRS net OPEB expense decreased the change on the net pension.	(132,861)
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.	357,581
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.	(368,585)
The District's proportionate share of the TRS net pension expense decreased the change on the net pension.	<u>(613,625)</u>

Change in net position of governmental activities - Statement of Activities \$ (1,436,560)

The accompanying notes are an integral part of this statement.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2019

Data Control Codes			Agency Fund
			Student Activity
	ASSETS:		
1110	Cash and Cash Equivalents	\$	114,726
1000	Total Assets		<u>114,726</u>
	LIABILITIES:		
	Current Liabilities:		
2190	Due to Student Groups	\$	114,726
2000	Total Liabilities		<u>114,726</u>
	NET POSITION:		
3000	Total Net Position	\$	<u><u>---</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, 2019

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.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

In addition, the District reports the following fund types:

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

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

Debt Service Fund: This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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.

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.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. 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.

c. Inventories and Prepaid Items

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

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

d. 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

e. 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

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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.

f. 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.

g. 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, 2019, upon certain conditions the employee will be compensated per day, subject to some limitations at a rate established by the board.

h. 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.

i. Use of Estimates

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

j. 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.

k. 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

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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 - In an effort to provide adequate cash flow for operations, maintain a strong credit rating, and plan for unanticipated extraordinary costs, the District shall 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.

I. 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.

m. 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.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

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

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB Statement No. 83, -Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

GASB Statement No. 90, -Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

The District does not currently have any interest in any separate organizations and does not expect that implementation of the pronouncement will have an impact on the financial statements.

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, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$11,554,766 and the bank balance was \$11,766,821. The District's cash deposits at June 30, 2019 and during the year ended June 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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 investments at June 30, 2019 are shown below.

<u>Investments 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, 2019

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.

Public Funds Investment Pools

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

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

Texas CLASS

The District invests in the Texas CLASS, which is local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds investment Act, Chapter 2256 of the Texas Government Code. The 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.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

D. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land	\$ 2,259,376	\$ -	\$ -	\$ 2,259,376
Construction in progress	-	-	-	-
Total capital assets not being depreciated	2,259,376	-	-	2,259,376
<i>Capital assets being depreciated:</i>				
Buildings and improvements	31,512,767	69,090	-	31,581,857
Equipment	2,797,752	553,703	-	3,351,455
Vehicles	5,080,266	10,139	-	5,090,405
Infrastructure	1,760,244			1,760,244
Total Capital Assets being depreciated	41,151,029	632,932	-	41,783,961
Less accumulated depreciation for:				
Buildings and improvements	(13,969,997)	(580,426)	-	(14,550,423)
Equipment	(1,956,228)	(152,809)	-	(2,109,037)
Vehicles	(3,801,100)	(194,929)	-	(3,996,029)
Infrastructure	(1,301,060)	(58,491)	-	(1,359,551)
Total accumulated depreciation	(21,028,385)	(986,655)	-	(22,015,040)
Total capital assets being depreciated, net	20,122,644	(353,723)	-	19,768,921
Governmental activities capital assets, net	\$ 22,382,020	\$ (353,723)	\$ -	\$ 22,028,297

Depreciation was charged to functions as follows:

Instruction	\$ 449,635
Instructional Resources and Media Services	4,000
Student Transportation	164,606
Food Services	35,748
Extracurricular Services	158,207
General Administration	6,107
Plant Maintenance and Operations	157,934
Security and Monitoring Services	10,418
	<u>\$ 986,655</u>

E. Interfund Balances and Activities

1. Due to and From Other Funds

Balances due to and due from other funds at June 30, 2019, consisted of the following:

Due to Fund	Due from Fund	Amount	Purpose
General Fund	Alternative Discipline School	\$ 39,359	Reimburse Expenditures
General Fund	Medicaid-Administrative	4,563	Reimburse Expenditures
	Claiming Program		
	Total	<u>\$ 43,922</u>	

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

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

2. Transfer To and From Other Funds

Transfers to and from other funds at June 30, 2019, consisted of the following:

Transfer To- Fund	Transfer from- Fund	Amount	Purpose
General Fund	Shared Service Agreement	\$329,328	Administrative cost

F. Short-Term Debt Activity

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

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, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Capital Leases*	\$ 55,846	\$ 61,290	\$ 44,295	\$ 72,841	\$ 37,391
Compensated Absences	81,125	26,350	16,725	90,750	--
Property Purchase Note	--	459,164	--	459,164	68,263
Total Governmental Activities	136,971	546,804	61,020	622,755	105,654
Net Pension Liability	4,055,294	3,397,224	429,809	7,022,709	
Net OPEB Liability	9,054,304	1,596,532	145,149	10,505,687	
	13,109,598	4,993,756	574,958	17,528,396	
Total Liability	\$13,246,569	\$ 5,540,560	\$ 635,978	\$18,151,151	

* 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	General

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

2. Debt Services 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 at June 30, 2019, are as follows:

Each issue below is authorized by Texas Local Government Code Sec. 271.

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 6,002	\$ 164	\$ 6,166
Totals	\$ 6,002	\$ 164	\$ 6,166

The effective interest rate on capital leases is 5.0%

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 9,101	\$ 850	\$ 9,951
2021	9,567	384	9,951
2022	2,468	21	2,489
Totals	\$ 21,136	\$ 1,255	\$ 22,392

The effective interest rate on capital leases is 5.0%.

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 20,304	\$ 2,077	\$ 22,381
2021	21,560	821	22,381
2022	1,856	9	1,865
Totals	\$ 43,719	\$ 2,907	\$ 46,626

The effective interest rate on capital lease is 6.018%.

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 1,984	\$ 11	\$ 1,995
Totals	\$ 1,984	\$ 11	\$ 1,995

The effective interest rate on capital lease is 4.35%.

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 68,263	\$ 20,949	\$ 89,212
2021	71,328	17,884	89,212
2022	74,631	14,581	89,212
2023	78,037	11,175	89,212
2024	81,597	7,615	89,212
2025	85,308	3,903	89,211
Total	\$ 459,164	\$ 76,107	\$ 535,271

The effective interest rate is 4.5%.

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 2019, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 workload 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 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, 2018 and 2019.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Contributions and Rates</u>			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Member	7.20%	7.70%	7.70%	7.70%
Non-Employer Contributing Entity (NECE – State)	6.80%	6.80%	6.80%	6.80%
Employers	6.80%	6.80%	6.80%	6.80%
District Employer Contributions	\$ 397,286	\$ 417,533	\$ 429,416	\$ 419,845
District Member Contributions	\$ 1,208,710	\$ 1,328,507	\$ 1,315,101	\$ 1,295,965
NECE On-Behalf Contributions to District	\$ 959,761	\$ 1,017,290	\$ 1,012,775	\$ 954,808

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

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

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, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
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 6.907%. The single discount rate was based on the expected rate of return on the pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. As a result, 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 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, 2018 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of June 30, 2018

Asset Class	Target Allocation *	Long-Term Expected Geometric Real Rate of Return	Expected Contribution To Long-Term Portfolio Returns **
Global Equity			
U.S.	18.00%	5.70%	1.00%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.90%	0.80%
Directional Hedge Funds	4.00%	3.50%	0.10%
Private Equity	13.00%	10.20%	1.30%
Stable Value			
U.S. Treasuries	11.00%	1.10%	0.10%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.10%	0.10%

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Cash	1.00%	(0.30%)	0.00%
Real Return			
Global Inflation Linked Bonds	3.00%	70.00%	0.00%
Real Assets	14.00%	5.20%	0.70%
Energy & Natural Resources	5.00%	7.50%	0.40%
Commodities	0.00%	0.00%	0.00%
Risk Parity			
Risk Parity	5.00%	3.70%	20.00%
Inflation Expectation			2.30%
Alpha			(0.80%)
Total	100%		7.20%

* Target allocations are based on the FY 2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY 2017, 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 Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between Arithmetic and geometric mean returns.

For the fiscal year ended June 30, 2018, 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 (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's Proportionate Share of the Net Pension Liability	\$ 10,598,952	\$ 7,022,709	\$ 4,127,528

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

At June 30, 2019, the District reported a liability of \$7,022,709 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	\$ 7,022,709
State's Proportionate Share that is Associated with District	\$ 15,610,458
Total	\$ 22,633,167

The net pension liability was measured as of August 31, 2018 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, 2017 through August 31, 2018.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0127587200 %, which was an increase of 0.0000758642% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation -

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed by TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.
- There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.
- For the year ended June 30, 2019, the District recognized pension expense of \$2,527,229 and revenue of \$1,545,019 for support provided by the State.

At June 30, 2019 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	\$ 43,774	\$ 172,310
Changes in Actuarial Assumptions	2,532,025	79,126
Difference Between Projected and Actual Investment Earnings	--	133,251
Changes in Proportion and Difference Between The District's Contributions and the Proportionate Share of Contributions	747,260	44,620

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Total as of August 31, 2018 Measurement Date	\$	<u>3,323,059</u>	<u>429,307</u>
Contributions Paid to TRS Subsequent to the Measurement Date		357,581	---
Total	\$	<u>3,680,640</u>	<u>\$ 429,307</u>

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

<u>Year Ended June 30</u>		<u>Pension Expense Amount</u>
2020	\$	798,515
2021	\$	518,095
2022	\$	433,018
2023	\$	435,290
2024	\$	428,700
Thereafter	\$	280,134

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

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

<u>Net OPEB Liability</u>		<u>Total</u>
Total OPEB Liability	\$	50,729,490,103
Less: Plan Fiduciary Net Position		<u>798,574,633</u>
Net OPEB Liability	\$	<u>49,930,915,470</u>
Net Position as a Percentage of Total OPEB Liability		<u>1.57%</u>

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.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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 January 1, 2018 through December 31, 2018

	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 1.25% 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 employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2019	2018	2017	2016
Active Employee	0.65%	0.65%	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.25%	1.25%	1.00%	1.00%
Employers	0.75%	0.75%	0.55%	0.55%
Federal/Private Funding Remitted By Employers	1.25%	1.25%	1.00%	1.00%
Current Fiscal year District Contributions	\$ 140,836			

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Current Fiscal year Member Contributions	\$ 109,401
2018 Measurement year NECE Contributions	\$ 198,868

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 if enrolled in TRS-Care.

TRS-Care received supplemental appropriations from the State of Texas as the NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2019. 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. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for 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, 2019, 2018, and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$65,948, \$54,473, and \$56,703, respectively.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 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.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate *	3.69% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	the age-adjusted claims costs.
Payroll Growth Rate	3.0%
Projected Salary Increases **	3.05% to 9.05% **
Healthcare Trend Rates ***	8.50% ***
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 2.30%

***Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first-year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 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.

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% 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 contributions 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 (2.69%)	Current Single Discount Rate (3.69%)	1% Increase In Discount Rate (4.69%)
District's Proportionate Share of Net OPEB Liability	\$ 12,505,377	\$ 10,505,687	\$ 8,923,803

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:

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate (8.5%)</u>	<u>1% Increase</u>
District's Proportionate Share of Net OPEB Liability	\$ 8,725,144	\$ 10,505,687	\$ 12,850,700

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

At June 30, 2019, the District reported a liability of \$10,505,687 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 10,505,687
State's Proportionate Share that is Associated with the District	<u>\$ 14,414,322</u>
Total	<u>\$ 24,920,099</u>

The net OPEB liability was measured as of August 31, 2017 rolled to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion 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, 2017 through August 31, 2018.

At August 31, 2018 the District's proportion of the collective net OPEB liability was .0210404454% which was an increase of .0002193707% from its proportion measured as of August 31, 2017.

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 OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the TOL.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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 from these measurements; and changes in plan provision or applicable law.

There were not changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

For the year ended June 30, 2019, the District recognized OPEB expense of \$780,074 and revenue of \$524,307 for support by the states.

At June 30, 2019, 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	\$ 557,498	\$ 165,795
Changes in Actuarial Assumptions	175,311	3,156,356
Differences between Projected and Actual		
Investment Earnings	1,837	---
Changes in Proportion and Difference		
Between the District's Contributions		
And the Proportionate Share of Contributions	120,012	---
Total as of August 31, 2018 Measurement Date	\$ 854,658	\$ 3,322,151
Contributions Paid to TRS Subsequent to the		
Measurement Date	118,501	---
Total	\$ 973,159	\$ 3,322,151

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

Year Ended June 30		Pension Expense Amount
2020	\$	(398,548)
2021	\$	(398,548)

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

2022	\$	(398,548)
2023	\$	(398,896)
2024	\$	(399,094)
Thereafter	\$	(473,859)

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 districts are fully insured. The District contributed a maximum of \$325 per month per eligible 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, 2019, 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 collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at June 30, 2019.

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 to an executive board or committee of participating members.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

Expenditures related to each member district were as follows:

Member Districts	Special Education	IDEA-B Formula	IDEA-B Preschool	IDEA-B Discretionary
North Lamar	\$ 1,301,083	\$ 543,934	\$ 14,379	\$ 4,905
Chisum	362,597	151,588	4,007	1,367
Prairiland	383,926	160,505	4,243	1,447
Roxton	85,317	35,688	943	322
otal	<u>\$ 2,132,923</u>	<u>\$ 891,695</u>	<u>\$ 23,572</u>	<u>\$ 8,041</u>

Member Districts	Deaf Ed Coop
North Lamar ISD	\$ 160,700
Prairiland ISD	47,034
Chisum ISD	27,437
Roxton ISD	3,920
Detroit ISD	47,034
Paris ISD	70,550
Clarksville ISD	27,437
Cooper ISD	3,920
Rivercrest ISD	3,920
Total	<u>\$ 391,952</u>

N. Subsequent Events

Management has evaluated subsequent events through November 11, 2019, the date the financials were available to be distributed. No events were found to require disclosure.

O. Accounting Standards Applicable to Subsequent Year

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

- 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.

P. Prior Period Adjustment

The June 30, 2018, financial statements reported a debt service fund with a fund balance of \$10,960. The District no longer has debt required to be paid from a tax levy and has no need to accumulated funds to pay a debt service payment. The District no longer levies a debt service tax but does receive delinquent taxes occasionally and now reports those proceeds in the general fund using a sub-object to the standard tax revenue code. A prior period adjustment was recorded to remove the fund balance that was found to be in error.

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, 2019

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 13,089,626	\$ 12,783,812	\$ 13,097,074	\$ 313,262
5800	State Program Revenues	8,898,962	8,975,278	8,348,634	(626,644)
5020	Total Revenues	21,988,588	21,759,090	21,445,708	(313,382)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	11,771,544	11,983,492	11,793,967	189,525
0012	Instructional Resources and Media Services	365,856	368,954	298,893	70,061
0013	Curriculum and Staff Development	342,684	347,699	343,798	3,901
	Total Instruction & Instr. Related Services	12,480,084	12,700,144	12,436,658	263,486
Instructional and School Leadership:					
0021	Instructional Leadership	205,631	212,047	162,360	49,687
0023	School Leadership	1,205,965	1,251,887	1,222,194	29,693
	Total Instructional & School Leadership	1,411,596	1,463,934	1,384,554	79,380
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	580,208	583,350	561,284	22,066
0032	Social Work Services	4,050	4,151	3,950	201
0033	Health Services	285,732	292,355	267,999	24,356
0034	Student (Pupil) Transportation	840,614	844,195	804,125	40,070
0035	Food Services	33,777	39,813	35,312	4,501
0036	Cocurricular/Extracurricular Activities	1,433,900	1,431,571	1,427,608	3,963
	Total Support Services - Student (Pupil)	3,178,281	3,195,437	3,100,278	95,159
Administrative Support Services:					
0041	General Administration	969,482	981,122	977,943	3,179
	Total Administrative Support Services	969,482	981,122	977,943	3,179
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	2,071,457	2,104,232	2,037,938	66,294
0052	Security and Monitoring Services	230,972	244,324	241,697	2,627
0053	Data Processing Services	211,867	212,932	211,928	1,004
	Total Support Services - Nonstudent Based	2,514,296	2,561,488	2,491,563	69,925
Debt Service:					
0071	Principal on Long-Term Debt	--	44,331	44,295	36
0072	Interest on Long-Term Debt	--	5,076	5,112	(36)
	Total Debt Service	--	49,407	49,407	--
Capital Outlay:					
0081	Capital Outlay	--	530,774	528,253	2,521
	Total Capital Outlay	--	530,774	528,253	2,521
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	1,257,849	1,103,939	1,103,939	--
0099	Other Intergovernmental Charges	177,000	177,926	177,926	--
	Total Intergovernmental Charges	1,434,849	1,281,865	1,281,865	--
6030	Total Expenditures	21,988,588	22,764,171	22,250,521	513,650

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2019

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	--	(1,005,081)	(804,813)	200,268
	Other Financing Sources (Uses):				
7913	Issuance of Capital Leases	--	61,290	61,290	--
7914	Issuance of Non-Current Debt	--	459,164	459,164	--
7915	Transfers In	--	350,000	329,328	(20,672)
7080	Total Other Financing Sources and (Uses)	--	870,454	849,782	(20,672)
1200	Net Change in Fund Balance	--	(134,627)	44,969	179,596
0100	Fund Balance - Beginning	8,446,280	8,446,280	8,446,280	--
3000	Fund Balance - Ending	<u>\$ 8,446,280</u>	<u>\$ 8,311,653</u>	<u>\$ 8,491,249</u>	<u>\$ 179,596</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, 2019

	Measurement Year Ended August 31,				
	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0127587200%	0.0126828558%	0.0125465293%	0.0135912000%	0.0074072000%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 7,022,709	\$ 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	15,610,458	9,901,453	12,075,077	11,454,146	9,964,157
Total	<u>\$ 22,633,167</u>	<u>\$ 13,956,747</u>	<u>\$ 16,816,224</u>	<u>\$ 16,258,454</u>	<u>\$ 11,942,722</u>
District's Covered Payroll	\$ 17,034,999	\$ 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	41.23%	23.29%	27.80%	29.08%	11.99%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only five 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, 2019

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 419,845	\$ 429,416	\$ 417,533	\$ 397,286	\$ 367,639
Contribution in Relation to the Contractually Required Contribution	<u>(419,845)</u>	<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>	<u>\$ -</u>
District's Covered Payroll	\$ 16,842,948	\$ 17,071,317	\$ 17,435,277	\$ 16,976,951	\$ 16,494,168
Contributions as a percentage of Covered Payroll	2.49%	2.52%	2.39%	2.34%	2.23%

Note: Only five 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 PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2019

	Measurement Year Ended August 31,	
	2018	2017
District's Proportion of the Net OPEB Liability (Asset)	0.0210404454%	0.0208210747%
District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 10,505,687	\$ 9,054,304
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	14,414,322	13,443,039
Total	<u>\$ 24,920,009</u>	<u>\$ 22,497,343</u>
District's Covered Payroll	\$ 17,034,999	\$ 17,409,573
District's Proportionate Share of the Net OPEB Liability (Asset) as a percentage of its Covered Payroll	61.67%	52.01%
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	1.57%	0.91%

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

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2019

	Fiscal Year Ended June 30,	
	2019	2018
Contractually Required Contribution	\$ 140,836	\$ 148,121
Contribution in Relation to the Contractually Required Contribution	(140,836)	(148,121)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll	\$ 16,842,948	\$ 17,071,317
Contributions as a percentage of Covered Payroll	0.84%	0.87%

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

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

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:

The Board adopted new assumptions on July 27, 2018 based on recommendations from the experience study for the period ending August 31, 2017.

The active mortality rates were based on 90% of the MP-2014 Employee Mortality Tables 2D 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	August 31, 2017 rolled to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Rate of Return	7.25%
Municipal Bond Rate	N/A*
Inflation	2.3%
Salary Increases*	3.05% to 9.05%, including inflation

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

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 (Le. 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, 2018 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 rolled to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate *	3.69% *
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	3.0%
Projected Salary Increases **	3.05% to 9.05% **
Healthcare Trend Rates ***	8.50% ***
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 2.30%

***Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 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.

Assumption changes include an updated health care trend assumption to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020, revised demographic and economic assumptions based on the TRS experience study, and a discount rate change from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

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, 2019

Year Ended June 30	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2010 and Prior Years	\$	Various	\$	Various	\$	Various
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		1.04		---		1,188,793,175
2019 (School Year Under Audit)		1.04		---		1,223,432,395

1000 Totals

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

EXHIBIT J-1

10 Beginning Balance 7/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/19
\$ 190,345	\$ --	\$ 3,991	\$ 342	\$ --	\$ 186,013
44,747	--	3,459	321	--	40,967
44,189	--	4,979	414	--	38,796
50,793	--	12,075	946	--	37,772
72,518	--	16,526	1,130	--	54,862
70,890	--	5,035	327	--	65,528
87,706	--	12,095	785	--	74,826
127,930	--	20,485	1,231	--	106,214
229,964	--	88,911	--	--	141,053
--	12,723,697	12,424,476	--	--	299,221
<u>\$ 919,083</u>	<u>\$ 12,723,697</u>	<u>\$ 12,592,032</u>	<u>\$ 5,496</u>	<u>\$ --</u>	<u>\$ 1,045,252</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 457,900	\$ 326,268	\$ (131,632)
5800	State Program Revenues	--	5,427	5,427
5900	Federal Program Revenues	687,800	789,835	102,035
5020	Total Revenues	<u>1,145,700</u>	<u>1,121,530</u>	<u>(24,170)</u>
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	<u>1,145,700</u>	<u>1,130,337</u>	<u>15,363</u>
	Total Support Services - Student (Pupil)	<u>1,145,700</u>	<u>1,130,337</u>	<u>15,363</u>
6030	Total Expenditures	<u>1,145,700</u>	<u>1,130,337</u>	<u>15,363</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	(8,807)	(8,807)
1200	Net Change in Fund Balance	--	(8,807)	(8,807)
0100	Fund Balance - Beginning	219,512	219,512	--
3000	Fund Balance - Ending	<u>\$ 219,512</u>	<u>\$ 210,705</u>	<u>\$ (8,807)</u>

Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA
Johnna W. McNeal, CPA
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Members of
American Institute of Certified Public Accountants
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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
3130 North Main Street
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, 2019, 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 6, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items [2019-001] that we consider to be material weaknesses.

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*.

North Lamar Independent School District's Response to Findings

North Lamar Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. North Lamar Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

November 6, 2019
Paris, Texas

Maenery, McNeal & Company PC
Certified Public Accountants

Malnory, McNeal & Company, PC

Certified Public Accountants

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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
3130 North Main Street
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, 2019. 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, 2019.

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.

Maenory, McNeal & Company PC
Certified Public Accountants

November 6, 2019

Paris, Texas

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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? X Yes 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>
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

YES- 2019-001

C. Federal Award Findings and Questioned Costs

NONE

North Lamar ISD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

B. Financial Statement Findings-Material Weakness

Finding: 2019-001

Criteria:

Ongoing monitoring of the general ledger, its adjustments, balances, and the relationships between the many funds and departments of the District are crucial to proper financial reporting as well as the effort to prevent, detect, deter, and correct errors in the financial reporting.

Condition:

We noted a deficiency in internal control procedures related financial processes as well as to the month end and year-end financial statement close.

Cause:

The cause of the deficiency appears to be a lack of personnel during several months of the year and significant administration position turnover. The Business Manager position went from full-time to part-time during fiscal year June 30, 2018 and the person in this position resigned completely in January 2019, the Superintendent resigned in February 2019, this chain of events created a void in knowledge and segregation of duties related to management of the general ledger, monitoring and close. Fortunately, the remaining staff managed to keep the business office functioning and complete payroll and accounts payable processing until a new Director of Finance could be hired.

Effect:

Significant adjustments were identified by the new Finance Director and independent auditor as being necessary to report the financials in accordance with governmental accounting standards as of and for the year ended June 30, 2019. Internal controls over general ledger adjusting entries both manual and system generated, bank reconciliations, general ledger review, as well as monitoring of financial transactions occurring during the months of January through April were not effectively designed or implemented. Bank reconciliations which are the cornerstone of financial management and internal control were not performed timely during portions of the year.

Recommendation:

We recommend the following:

1. **Journal Entries:** One of the most important aspects of internal control over journal entries is meaningful supervisory review. The forms used for journal entries, whether manual or system generated, should facilitate documentation of the approval process. The internal controls for journal entries also involve adequate documentation for each entry so that they can be reviewed and assessed by others besides the proposer. This allows the supervisory reviewer to evaluate the judgement, calculations, and support for the journal entry. We recommend controls and segregation of duties be established for proposing, approving, posting and verification of journal entries. Entries should include a detailed description of the purpose of the adjustment and the

North Lamar ISD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

expected result. Documentation should be attached and maintained that supports the amounts and purpose of the adjustment.

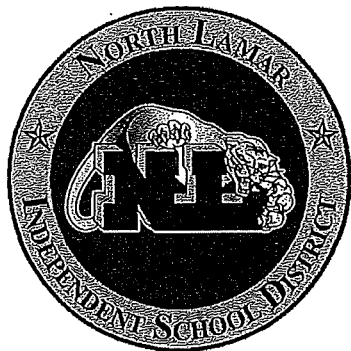
2. Bank Reconciliations: Bank reconciliations should be performed monthly on each account for which the District is responsible, and all activity should be posted monthly to the general ledger. All items on the bank reconciliation should be investigated and verified. Any discrepancies to deposit or expenditure detail should be investigated timely. Internal controls and segregation of duties should be maintained and documented regarding the reconciliation preparation, review and approval.
3. Proper segregation of duties should be implemented related to payroll processing as well as access and changes related to personnel information and coding.
4. Monthly General Ledger Close: Each month end the accounts of the general ledger should each be reconciled to supporting schedules or ledgers and any necessary journal entries be made prior to the month end close. This is especially important regarding the accounts of the balance sheet and transfers between funds.

Views of management:

The Finance Director and the Superintendent agree with the findings and recommendations and a plan of corrective action has been developed.

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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



NORTH LAMAR

INDEPENDENT SCHOOL DISTRICT

North Lamar ISD
Corrective Action Plan
For the Year Ended June 30, 2019

In order to address the deficiency in internal control procedures related to financial processes as well as to the month end and year-end financial statement close, North Lamar ISD will place into effect the following internal controls:

Bank reconciliations on all district accounts will be performed within fifteen days of month end. Any discrepancies will be investigated immediately. The Director of Finance will reconcile the bank accounts, including the two Student Activity bank accounts, and the Superintendent or designee will perform a thorough review of the reconciliations. This will include review of the checks written for accounts payable and payroll related items. The Superintendent or designee will initial or sign each bank reconciliation.

All manual journal entries will be performed by the Director of Finance and given to the Superintendent or designee at month end. To accompany this, a General Journal report, which will include all system-generated and manual journal entries, will be submitted to the Superintendent or designee for review and signature.

All payroll processing, as well as access and changes related to personnel information and coding, will be performed by the Payroll Clerk. If any change is made to an employee record, the Payroll Clerk will perform the change and print the change made in the TXEIS software system. The Director of Finance or Superintendent will review and initial. Changes involving direct deposit will require the employee to come to the administration office and fill out the appropriate paperwork. These changes will be kept with the payroll detail for that particular month. Campus Administrators will be reminded at monthly meetings to submit any payroll coding change forms to the Payroll Clerk immediately upon staff reassignment.

For athletic gate receipts, the AP/AR Clerk will prepare the box(es) and fill out the Business Office Gate Info Card with the starting amount of money in the boxes. For large varsity games, a School Resource Officer will pick the boxes up from administration and carry to the ticket booths. For smaller games, the Athletic Secretary will pick up the boxes from administration. Before the game begins, the gate keepers will count the money and confirm start amount. When the athletic gate closes, the gate keeper(s) will count the money and complete and sign the Business Office Gate Info Card. At large varsity games, there are two or more gate keepers. At smaller games, there is usually one gate keeper.

North Lamar ISD
Corrective Action Plan
For the Year Ended June 30, 2019
Page 2

During the counting process, the gate keeper(s) will complete the Deposit Reconciliation and place in the boxes with the cash. On large varsity games, the School Resource Officer will carry the money to the bank and drop in the night depository. At smaller games, the gate keeper will lock the money up at either the high school or middle school. The next business day the boxes are brought to administration. At that time, the AP/AR Clerk will recount the money with either the Athletic Secretary or Director of Finance. The AP/AR Clerk will work up a deposit slip for the appropriate amount of money collected for the game and place in the safe at administration. The Director of Finance will carry the deposit to the bank and pick up the bag the following day. The receipt from the bank is given to the AP/AR Clerk who records it into the TXEIS software system.

Each month, the general ledger will be reviewed by the Director of Finance and necessary journal entries and balance sheet transfers will be made prior to the month end close.

Implementation of these procedures are expected to be complete on or before the issuance of this report dated November 6, 2019.



Director of Finance

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

EXHIBIT K- 1

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures includes Indirect Cost</u>
Child Nutrition Cluster			
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71401801	\$ 181,525
National School Lunch Program	10.555	71301801	528,869
Total Passed Through State Department of Education			710,394
Total U.S. Department of Agriculture			710,394
Total Child Nutrition Cluster			710,394
Food Distribution Cluster:			
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Agriculture:			
Commodity Supplemental Food Program (Non-Cash)	10.585	139-911	79,441
Total U.S. Department of Agriculture			79,441
Total Food Distribution Cluster			79,441
Medicaid Cluster:			
<u>U. S. Department of Health and Human Services</u>			
Passed through Texas Medical Assistance Program:			
Medicaid Administrative Claiming Program - MAC	93.778	529-07-0157-00058	4,563
Total U.S. Department of Health and Human Services			4,563
Total Medicaid Cluster			4,563
Special Education (IDEA) Cluster:			
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
SSA IDEA-B Formula	84.027A	186600011399116000	403,428
SSA IDEA-B Discretionary	84.027A	186600111399116673	3,153
SSA IDEA-B Formula	84.027A	196600011399116000	488,267
SSA IDEA-B Discretionary	84.027A	196600111399116673	4,887
Total CFDA Number 84.027			899,735
SSA IDEA-B Preschool	84.173A	186610011399116610	10,044
SSA IDEA-B Preschool	84.173A	196610011399116610	13,528
Total CFDA Number 84.173			23,572
Total Passed Through State Department of Education			923,307
Total U.S. Department of Education			923,307
Total Special Education (IDEA) Cluster			923,307
Other Programs			
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I Part-A- Improving Basic Programs	84.010a	18610101139911	23,191
ESEA Title I Part-A- Improving Basic Programs	84.010a	19610101139911	479,023
Total CFDA Number 84.010a			502,214
Career and Technical-Basic Grant	84.048A	18420006139911	517
Career and Technical-Basic Grant	84.048A	19420006139911	30,233
Total CFDA Number 84.048A			30,750
Title III-Part A English Language Acquisition/Lan. Enh	84.365A	19671001225950	3,778
ESEA Title II Part A-Teacher & Principal Training/req	84.367A	18694501139911	9,144
ESEA Title II Part A-Teacher & Principal Training/req	84.367A	19694501139911	65,247
Total CFDA Number 84.367A			74,390
Total IV, Part A Subpart 1	84.424a	19680101139911	30,425
Total Passed Through State Department of Education			641,557
Total U.S. Department of Education			641,557
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,359,262

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of North Lamar Independent School District and is presented on the modified accrual basis of accounting. The information in this 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Federal grants funds are considered to be earned to the extent of expenditures made under the provisions of the grant and accordingly when such funds are received, they are recorded as deferred revenues until earned.

The Commodity Supplemental Food Program (CFDA 10.565) *received* like-kind goods. The monetary value of these goods was \$79,441 for the year ended June 30, 2019. This monetary value was reported on the schedule.

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, 2019, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingency.

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	\$ 2,359,262
SHARS	<u>294,469</u>
Federal revenue per Exhibit C-2	\$ <u>2,653,731</u>

NORTH LAMAR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2019

<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?	Yes
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 not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	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.	\$ 7,022,709
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."