

**LAKE TRAVIS INDEPENDENT  
SCHOOL DISTRICT**

**Annual Financial Report  
for the Fiscal Year Ended  
August 31, 2018**



# LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT

## Annual Financial Report Year Ended August 31, 2018 Table of Contents

---

	<u>Page</u>
<b>CERTIFICATE OF BOARD</b>	1
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-14
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	20
Statements of Net Position - Proprietary Funds	21
Statements of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	22
Statements of Cash Flows - Proprietary Funds	23
Statement of Fiduciary Net Position - Agency Funds	24
Notes to Basic Financial Statements	25-55
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability	56
Schedule of District Contributions - Pensions	57
Schedule of the District's Proportionate Share of the Net OPEB Liability	58
Schedule of District Contributions - OPEB	59
Note to Required Supplementary Information	60
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Special Revenue Governmental Funds	61-63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Governmental Funds	64-66
Combining Statement of Net Position - Business-type Activities - Nonmajor Enterprise Funds	67
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Business-type Activities - Nonmajor Enterprise Funds	68
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	69

# LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT

## Annual Financial Report Year Ended August 31, 2018 Table of Contents

---

	<u>Page</u>
<b>FINANCIAL SECTION (continued)</b>	
Combining and Individual Fund Statements and Schedules (continued):	
Combining Statement of Net Position - Governmental Activities - Nonmajor Internal Service Funds	70
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Governmental Activities - Nonmajor Internal Service Funds	71
Combining Statement of Cash Flows - Nonmajor Internal Service Funds	72
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund	73
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Food and Nutrition Services Fund	74
Other Schedules:	
Schedule of Delinquent Taxes Receivable	75
Exhibit L-1 - Required Responses to Selected School First Indicators	76
<b>FEDERAL AWARDS SECTION</b>	
Independent Auditors' 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>	77-78
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	79-80
Schedule of Expenditures of Federal Awards	81
Notes to the Schedule of Expenditures of Federal Awards	82
Schedule of Findings and Questioned Costs	83-84

## CERTIFICATE OF BOARD

Lake Travis Independent School District  
Name of School District

Travis  
County

227913  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the 14<sup>th</sup> day of November, 2018.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are): (Attach list as necessary.)

## **FINANCIAL SECTION**



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

## INDEPENDENT AUDITORS' REPORT

The Board of Trustees of  
Lake Travis Independent School District:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Travis Independent School District (the "District"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 1 and Note 19 to the financial statements, for the year ended August 31, 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, resulting in a restatement of the District’s net position as of August 31, 2017. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedule of the District’s proportionate share of the net pension liability, the schedule of District contributions - pensions, the schedule of the District’s proportionate share of the net OPEB liability, the schedule of District contributions - OPEB, and the note to the required supplementary information on pages 5 through 14, 56, 57, 58, 59, and 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining and individual fund statements and schedules, other schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

*Maxwell Locke & Ritter LLP*

Austin, Texas  
November 7, 2018

## **LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS**

In this section of the annual financial report, we, the managers of Lake Travis Independent School District (the “District”), discuss and analyze the District’s financial performance for the fiscal year ended August 31, 2018. Please read it in conjunction with the independent auditors’ report that begins on page 2, and the District’s basic financial statements that begin on page 15.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent period by \$59.7 million. Of this amount, (\$3.8 million) was unrestricted net position.
- As of the close of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$140.7 million. Approximately 24 percent of this total amount, \$34 million, is available for spending at the government’s discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$34 million, or 29 percent of the total General Fund expenditures (45 percent after factoring out recapture costs).
- In February 2018, the District made an early payment of \$16,285,000 on its Series 2012 bonds. By paying this debt prior to its maturity, the District saved approximately \$11,390,618 of interest costs.
- For the year ended August 31, 2018, the District adopted Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard resulted in a prior period adjustment to net position of \$42,088,299 to recognize the net other post-employment benefits (“OPEB”) liability at the measurement period ending August 31, 2016, and the deferred outflows of resources related to the District’s contributions after the measurement period ending August 31, 2016 through August 31, 2017.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 15 and 16). These provide information about the activities of the District as a whole and present a longer-term view of the District’s property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 17) report the District’s operations in more detail than the government-wide statements by providing information about the District’s most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The Notes to Basic Financial Statements (starting on page 25) provide narrative explanations or additional data that are an integral part for full disclosure in the government-wide statements or the fund financial statements.

The combining statements and budget comparisons included as supplementary information provide detail of all nonmajor governmental funds and budgetary comparisons for the Debt Service major governmental fund and the Food and Nutrition Services nonmajor governmental fund.

The Other Schedules section provides additional supporting schedules, including a Schedule of Delinquent Taxes Receivable, and Exhibit L-1 Required Responses to School First Indicators.

The Required Supplementary Information includes the Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions - Pensions, the Schedule of the District's Proportionate Share of the Net OPEB Liability, Schedule of District Contributions - OPEB, and the Note to Required Supplementary Information related to the District's contributions to a cost-sharing pension and OPEB plan with the Teacher Retirement System of Texas.

The Federal Awards Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

## **Reporting the District as a Whole**

### ***The Statement of Net Position and the Statement of Activities***

The analysis of the District's overall financial condition and operations begins on page 15. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, liabilities, and deferred inflows at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by the private sector.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as fees paid to participate in community education programs and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or through the Texas Education Agency. All the District's assets and deferred outflows are reported whether they serve the current year or future years. Liabilities and deferred inflows are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Position and the Statement of Activities, the District has two types of activities:

- **Governmental activities** - The District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- **Business-type activities** - The District's community education function is reported here as the intention is to recover all or a significant portion of their costs through user fees and charges. In addition, the District's video display board operations are also reported here as the intention is to recover all costs of operating the video display board through advertising revenues.

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements begin on page 17 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act/ Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes, such as campus activities. The District uses the following funds for its accounting:

- **Governmental funds** - The District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliation schedules following each of the fund financial statements.
- **Proprietary funds** - The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's Enterprise Funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

## **The District as Trustee**

### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities. These resources are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Both current and prior year data are presented with discussion of significant changes in the accounts. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's government-wide activities.

This two-year comparison provides an indication of the District's financial well being. Increases and decreases in net position may serve over time as a useful indicator of a government's financial position. As of August 31, 2018, the District's assets and deferred outflows exceed its liabilities and deferred inflows by \$59.7 million compared to prior year net position of \$29.1 million, as restated. This increase was caused primarily from additional property tax revenues from increased property values and a decrease in the District's net pension and OPEB liabilities.

**Table 1**  
**The District's Net Position**  
(in thousands)

	Governmental Activities 8/31/2018	Governmental Activities 8/31/2017	Business-type Activities 8/31/2018	Business-type Activities 8/31/2017	Total 8/31/2018	Total 8/31/2017
Assets:						
Current and other assets	\$ 161,334	\$ 49,335	\$ 2,012	\$ 1,660	\$ 163,346	\$ 50,995
Capital assets	324,661	286,769	337	359	324,998	287,128
Total assets	485,995	336,104	2,349	2,019	488,344	338,123
Deferred outflows:						
Deferred charges on bond refundings	13,013	4,757	-	-	13,013	4,757
Pension contributions after measurement date	1,434	1,361	-	-	1,434	1,361
Deferred outflows related to pension liability	3,800	5,625	-	-	3,800	5,625
OPEB contributions after measurement date	413	-	-	-	413	-
Deferred outflows related to OPEB liability	4	-	-	-	4	-
Total deferred outflows	18,664	11,743	-	-	18,664	11,743
Liabilities:						
Current and other liabilities	41,499	19,001	6	-	41,505	19,001
Long-term liabilities	393,701	258,757	-	-	393,701	258,757
Total liabilities	435,200	277,758	6	-	435,206	277,758
Deferred inflows:						
Deferred inflows related to pension liability	2,032	895	-	-	2,032	895
Deferred inflows related to OPEB liability	10,040	-	-	-	10,040	-
Total deferred inflows	12,072	895	-	-	12,072	895
Net position:						
Net investment in capital assets	57,575	40,133	337	359	57,912	40,492
Restricted	5,628	6,194	-	-	5,628	6,194
Unrestricted	(5,816)	22,867	2,006	1,660	(3,810)	24,527
Total net position	57,387	69,194	2,343	2,019	59,730	71,213
Prior period adjustment	-	(42,089)	-	-	-	(42,089)
Total net position, as restated	\$ 57,387	\$ 27,105	\$ 2,343	\$ 2,019	\$ 59,730	\$ 29,124

Investment in capital assets (e.g., land, construction in progress, buildings and improvements, furniture and equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding is \$58 million. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, generally property taxes, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$5.6 million or approximately 9.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is (\$3.8 million).

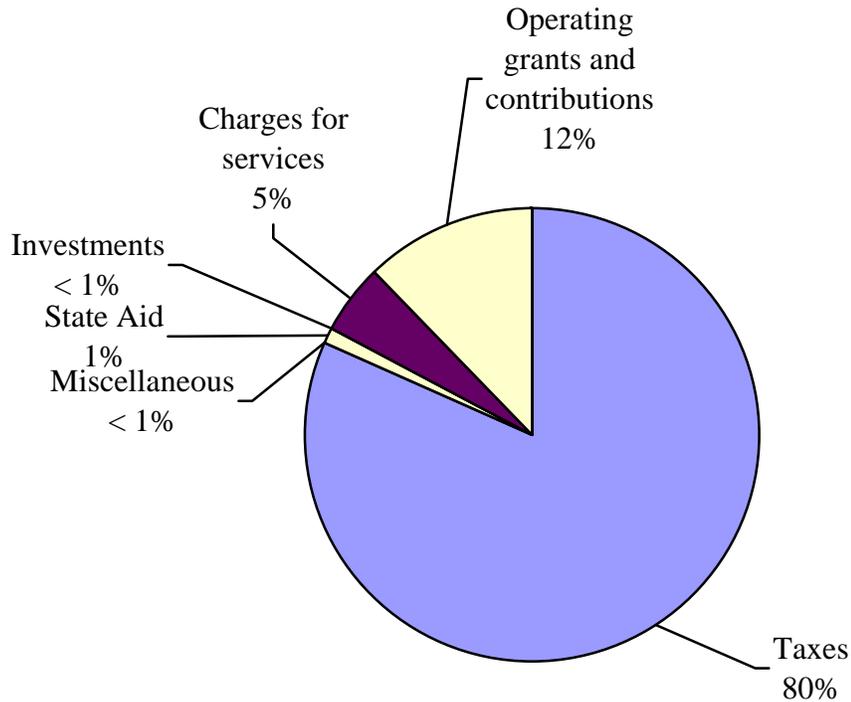
**Changes in net position** - As described at Table 2, the District's total net position increased by \$30.6 million. The total cost of all government-wide activities this year was \$153.5 million. The amount that our taxpayers paid for these activities through property taxes was \$148.4 million or 97 percent, a 9 percent increase from the previous year.

**Table 2**  
**The District's Change in Net Position**  
(in thousands)

	Governmental Activities Year Ended 8/31/2018	Governmental Activities Year Ended 8/31/2017	Business-type Activities Year Ended 8/31/2018	Business-type Activities Year Ended 8/31/2017	Total Year Ended 8/31/2018	Total Year Ended 8/31/2017
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 5,768	\$ 5,595	\$ 2,778	\$ 2,455	\$ 8,549	\$ 8,050
Operating grants and contributions	22,495	10,432	-	-	22,495	10,432
<b>General revenues:</b>						
Property taxes	148,430	136,605	-	-	148,430	136,605
State aid-formula grants	4,800	4,360	-	-	4,800	4,360
Other	2,324	762	-	-	2,324	762
<b>Total revenues</b>	<b>183,817</b>	<b>157,754</b>	<b>2,778</b>	<b>2,455</b>	<b>186,595</b>	<b>160,209</b>
<b>Expenses:</b>						
<b>Governmental activities:</b>						
Instruction	58,018	53,030	-	-	58,018	53,030
Instructional resources and media services	935	866	-	-	935	866
Student support services	24,601	22,490	-	-	24,601	22,490
General administration	3,672	3,085	-	-	3,672	3,085
Support services	13,249	12,852	-	-	13,249	12,852
Community services	997	924	-	-	997	924
Interest on long-term debt and other debt services	2,495	9,353	-	-	2,495	9,353
Facilities acquisition and construction	5,300	1,807	-	-	5,300	1,807
Contracted instructional services between schools	43,528	36,914	-	-	43,528	36,914
Other	740	675	-	-	740	675
<b>Business-type activities:</b>						
Community education	-	-	2,432	2,323	2,432	2,323
Video display board	-	-	22	38	22	38
<b>Total expenses</b>	<b>153,535</b>	<b>141,996</b>	<b>2,454</b>	<b>2,361</b>	<b>155,989</b>	<b>144,357</b>
<b>Change in net position</b>	<b>30,282</b>	<b>15,758</b>	<b>324</b>	<b>94</b>	<b>30,606</b>	<b>15,852</b>
<b>Beginning net position</b>	<b>27,105</b>	<b>53,436</b>	<b>2,019</b>	<b>1,925</b>	<b>29,124</b>	<b>55,361</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>(42,089)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(42,089)</b>
<b>Ending net position, as restated</b>	<b>\$ 57,387</b>	<b>\$ 27,105</b>	<b>\$ 2,343</b>	<b>\$ 2,019</b>	<b>\$ 59,730</b>	<b>\$ 29,124</b>

The District's total revenues were \$186.6 million. A significant portion, 80 percent, of the District's revenue comes from taxes (See Figure 1); 1 percent comes from state aid - formula grants, 5 percent relates to charges for services, and 12 percent comes from operating grants and contributions.

**Figure 1**  
**Sources of Revenue for**  
**the Year Ended August 31, 2018**



The District is considered wealthy under Chapter 41 of the Texas Education Code because its wealth level per student of 890,970 exceeded the state level of \$514,000. Under Chapter 41 of the Texas Education Code, the District's voters approved for the District to equalize its excess wealth by either purchasing *attendance credits* from the State or purchasing *weighted average daily attendance* from other school districts. The District contracts with the State to equalize its wealth. This recapture payment results in an outflow of local tax dollars to the other school districts and the State. Due to an increase in property taxes collected compared to the prior year as a result of higher property values offset by a decrease in State aid, the District's recapture amount paid to the State has increased to \$43.5 million compared to \$36.9 million in the prior year. This equates to 42.3 percent of each tax dollar raised under maintenance and operations. Debt service taxes are excluded from recapture.

The District's program and general revenues increased by \$26.4 million (16 percent) due primarily to an increase in taxes collected which was due to an increase of 9.9% in property values.

In April 2018, the District sold \$143 million in bonds to fund construction and equipping of school buildings and to pay the costs of issuance of the bonds. A task force drawn from across the community formulated a bond proposal that called for new instructional facilities; maintenance and repair of existing facilities; purchase of instructional resources, including technology; and the purchase of buses and other vehicles. Instructional facilities include one new 850 student elementary school, one new 1,300 student middle school, the renovation of the high school Performing Arts Center (PAC), and the expansion of the Transportation Center and the Distribution and Network Operating Center. Overall, bond program expenditures totaled \$54.6 million this fiscal year compared to \$4.1 million in the prior year. The primary source of revenue for bond payments is from property taxes.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

### **Governmental funds**

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$140.7 million. Of this amount \$34 million constitutes unassigned fund balance available for use in the General Fund activities at the District's discretion. The remainder of the fund balance is nonspendable due to form or restricted, committed or assigned to indicate that it is not available for new spending because it has already been designated for other obligations of the District. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to the total fund expenditures. Unassigned fund balance represents 29 percent of the total General Fund expenditures.

The District's General Fund's fund balance increased by approximately \$2.6 million. This is more than the prior year's increase of \$2.3 million.

The Debt Service Fund has a total fund balance of \$6.5 million, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the Debt Service Fund was \$1.3 million. This increase was from the District making additional payments prior to maturity dates on its outstanding bonds in prior year 2017; see Note 8 for details.

The District's Capital Project Fund had a total fund balance of \$97 million, which increased by \$100.5 million from the prior year.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the District's Board approved amendments to the budget.

The District made the following larger amendments to budgeted revenue:

- \$924,067 increase in State funding due to FSP Hardship Grant
- \$314,067 increase in Recapture due to increase in tax collections
- \$110,000 increase in appropriations due to the recognition of a one-time pay supplement
- \$300,000 increase in Transportation due to summer help installing seat belts
- \$200,000 increase in Athletics due to above District travel

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The District's investment in capital assets for its governmental activities and business-type activities as of August 31, 2018 amounts to \$324.7 million and \$337,000, respectively, (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, and vehicles.

	<b>District's Capital Assets</b> (Net of Depreciation) (in thousands)	
	2018	2017
Land	\$ 28,418	\$ 28,418
Construction in progress	44,229	2,872
Buildings and improvements	240,386	248,306
Furniture and equipment	4,193	4,426
Vehicles	7,772	3,106
Total capital assets (net of accumulated depreciation)	<u>\$ 324,998</u>	<u>\$ 287,128</u>

Additional information on the District's capital assets can be found in Note 6 on pages 36 and 37 of this report.

### Long-term Debt

As of August 31, 2018, the District had total outstanding long-term debt of \$338.4 million, an increase of \$115.7 million from the prior year. Payments on bond principal for 2017-2018 totaled \$26.7 million.

The "AAA" long-term rating on the District's bonds reflects the Texas Permanent School Fund guarantee. The District's underlying credit rating is "AA+" by both Standard and Poor's (2018) and by Fitch Rating Services (2018).

State statutes have limits on the amount of general obligation debt a governmental entity may issue. A school district may not exceed \$0.50/\$100 on its debt service tax rate for new debt (debt issued after August 31, 1992). The District's current debt service tax rate is \$0.3475/\$100. This would leave up to an additional \$0.1525/\$100 available on the tax rate. Based on these limitations, the District has the ability to fund future bond issues. The District's last bond election was successfully held in November 2017.

Additional information on the District's long-term liabilities can be found in Note 8 on pages 37 through 39 of this report.

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

The District is located in what has been one of the fastest growing regions in the state and the country. The District has a diversified tax base with the principal tax payers (the top-ten tax payers) making up only 8.2% of the District's overall tax base. For the 2017 tax year, Galleria Texas, LLC was the District's largest taxpayer.

The principal taxpayers for the District, along with the percent of assessed value for the District, are listed below:

1. CSHV HCG Retail, LLC	2.57%
2. IVT Shops at Galleria	1.16%
3. Madrone Acquisition, LP	0.92%
4. FHF I Oaks at Lakeway, LLC	0.82%
5. Lakeway Realty, LLC	0.65%
6. Bee Cave Owner, LLC	0.50%
7. Avanti Hills, LLC	0.45%
8. Western RIM Investors 2013-14, LP	0.40%
9. CHHC Bee Cave, LP	0.38%
10. CSHV HGC Office, LLC	0.35%

The District set its operating tax rate at \$1.06 and its debt service tax rate at \$0.3475 for the 2017-2018 school year, and the Board has set its operating tax rate at \$1.06 and its debt service rate at \$0.3475 for the 2018-2019 school year.

Due to growth in students the 2018-2019 budget includes the following:

- The August 2018 unemployment rate for Travis County is 2.9 percent while the state unemployment rate is 3.8 percent.
- The District's student attendance rate remained stable at 95.4 percent for the 2017-2018 school year, which is within the typical annual range.
- The District has experienced an enrollment increase of 5.7 percent; this is down slightly from the previous year, and reflects an overall increase in growth of 33.5 % over the past five years.
- The District's taxable valuation has increased by 11.59 percent for the 2018-2019 school year. This is up slightly from an increase of 9.56 percent last year.
- The District has appropriated General Fund revenues and expenditures in the 2018-2019 budget of \$135.8 million and \$133.8 million, respectively. Significant changes to the budget include the cost to educate approximately 613 new students (\$3.3 million), the increase cost of recapture (\$7.0 million) and the 3.0 % staff salary increase (\$1.5 million).
- In a 2011 special legislative session, the state legislature passed Senate Bill 1 that reduced the Foundation School Program by \$5.4 billion over the biennium. As a result, the District incurred a net decrease in state and local revenues of \$3.3 million (6.5% of net operating budget) in 2011-2012 and \$4.8 million (8.7% of net operating budget) in 2012-2013.
- In 2013, under the 83rd legislative session, Congress passed Senate Bill 1, which restored \$3.0 billion of the previously reduced funding to the Foundation School Program. However, a majority of this funding was strategically placed with low-equity districts. As a result, under Senate Bill 1, the District still received less state and local revenues than pre-2011 cuts: \$4.0 million (6.8% of net operating budget) in 2013-2014 and \$3.8 million (6.1% of net operating budget) in 2014-2015.

- In 2015, under the 84th legislative session, Congress passed House Bill 1, which increased the Basic Allotment/Equalized Wealth Level by \$1.2 billion. Unfortunately, districts that were still receiving Additional State Aid for Tax Reduction (ASATR) had a balancing off-set that kept them from receiving new funding. Additionally, the State did not extend funding for their mandate TRS-Care Employer Contribution (1.5%). As a result, the District continued to receive less state and local revenues than pre-2011 cuts: \$4.6 million (6.7% of net operating budget) in 2015-2016 and \$2.7 million (3.7% of net operating budget) in 2016-2017.
- In 2017, under the 85<sup>th</sup> Legislative session, Congress passed Senate Bill 1. The only new funding introduced in this session was to increase the Austin Yield (4 -“golden pennies” and 2 - “silver pennies”) from \$77.53 in 2016-2017, to \$99.41 in 2017-2018 and \$106.28 in 2018-2019. There was no change to the basic allotment, funding weights, no extension of ASATR, or no new round of facilities funding. As a result, the District continued to receive less state and local revenues than pre - 2011 amounts: \$5.2 million (4.4% of net operating budget) in 2017-2018. With the Per Capita Rate increasing from \$206.57 to \$447.18 in 2018-19, Lake Travis ISD will be fully restored for the first time since the cuts made in 2011 with \$671 thousand (0.50% of net operating budget). The overall financial impact to the District as a result of the last four legislative sessions is \$27.7 million (\$3.5 million/year).

On the Interest and Sinking (I & S) Fund, increased property values throughout the District will allow the District to redeem an additional \$3.5 million of its 2018B Current Interest Obligations. By paying down the District’s debt requirement prior to their scheduled maturity dates, the District estimates an overall debt savings of approximately \$5.6 million.

## **CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Assistant Superintendent for Business, Financial and Auxiliary Services, Lake Travis Independent School District, 3322 Ranch Road 620 South, Austin, Texas 78738.

## **BASIC FINANCIAL STATEMENTS**

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Statement of Net Position**  
**August 31, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,124,332	2,012,220	10,136,552
Temporary investments	150,264,215	-	150,264,215
Receivables:			
Property taxes - delinquent	3,391,668	-	3,391,668
Allowance for uncollectible taxes	(1,183,058)	-	(1,183,058)
Due from other governments	653,845	-	653,845
Other receivables	12,343	-	12,343
Inventory	71,020	-	71,020
Capital assets (net of accumulated depreciation):			
Land	28,417,557	-	28,417,557
Construction in progress	44,229,486	-	44,229,486
Buildings and improvements	240,049,094	336,757	240,385,851
Furniture and equipment	4,193,163	-	4,193,163
Vehicles	7,771,645	-	7,771,645
Total assets	<u>485,995,310</u>	<u>2,348,977</u>	<u>488,344,287</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on bond refundings	13,012,522	-	13,012,522
Pension contributions after measurement date	1,434,482	-	1,434,482
Deferred outflows related to pension liability	3,799,651	-	3,799,651
OPEB contributions after measurement date	412,926	-	412,926
Deferred outflows related to OPEB liability	3,755	-	3,755
Total deferred outflows of resources	<u>18,663,336</u>	<u>-</u>	<u>18,663,336</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	10,169,223	5,879	10,175,102
Accrued expenditures	1,798,634	-	1,798,634
Payroll deductions and withholdings payable	797,615	-	797,615
Accrued wages payable	4,293,364	-	4,293,364
Due to other governments	3,815	-	3,815
Unearned revenue	419,205	-	419,205
Bond interest payable	2,777,106	-	2,777,106
Bonds payable	21,240,000	-	21,240,000
Noncurrent liabilities:			
Bonds payable	355,872,902	-	355,872,902
Compensated absences	542,649	-	542,649
Net pension liability	13,282,490	-	13,282,490
Net OPEB liability	24,002,534	-	24,002,534
Total liabilities	<u>435,199,537</u>	<u>5,879</u>	<u>435,205,416</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension liability	2,031,539	-	2,031,539
Deferred inflows related to OPEB liability	10,040,305	-	10,040,305
Total deferred inflows of resources	<u>12,071,844</u>	<u>-</u>	<u>12,071,844</u>
<b>NET POSITION</b>			
Net investment in capital assets	57,575,452	336,757	57,912,209
Restricted for:			
Debt service	4,275,143	-	4,275,143
Food service	1,352,918	-	1,352,918
Unrestricted	(5,816,248)	2,006,341	(3,809,907)
Total net position	<u>\$ 57,387,265</u>	<u>2,343,098</u>	<u>59,730,363</u>

The notes to the financial statements are an integral part of this statement.

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Statement of Activities**  
**Year Ended August 31, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction	\$ 58,017,594	78,980	15,172,019	(42,766,595)	-	(42,766,595)
Instructional resources and media services	935,102	-	190,912	(744,190)	-	(744,190)
Curriculum and staff development	932,493	-	341,937	(590,556)	-	(590,556)
Instructional leadership	1,211,692	-	262,494	(949,198)	-	(949,198)
School leadership	4,234,511	-	923,661	(3,310,850)	-	(3,310,850)
Guidance, counseling, and evaluation services	3,401,339	211,500	854,773	(2,335,066)	-	(2,335,066)
Health services	742,168	-	160,251	(581,917)	-	(581,917)
Student transportation	4,923,404	-	893,708	(4,029,696)	-	(4,029,696)
Food services	4,949,368	4,563,104	515,006	128,742	-	128,742
Extracurricular activities	4,206,338	476,749	1,366,606	(2,362,983)	-	(2,362,983)
General administration	3,671,741	-	610,400	(3,061,341)	-	(3,061,341)
Facilities maintenance and operations	10,045,159	437,493	515,337	(9,092,329)	-	(9,092,329)
Security and monitoring services	325,866	-	20,545	(305,321)	-	(305,321)
Data processing services	2,877,811	-	302,535	(2,575,276)	-	(2,575,276)
Community services	997,103	-	124,354	(872,749)	-	(872,749)
Interest on long-term debt	478,285	-	236,249	(242,036)	-	(242,036)
Other debt service	2,016,545	-	-	(2,016,545)	-	(2,016,545)
Facilities acquisition and construction	5,300,417	-	4,246	(5,296,171)	-	(5,296,171)
Contracted instructional services between schools	43,527,535	-	-	(43,527,535)	-	(43,527,535)
Incremental costs related to Chapter 41	293,383	-	-	(293,383)	-	(293,383)
Payments related to shared services arrangements	42,508	-	-	(42,508)	-	(42,508)
Other intergovernmental charges	403,986	-	-	(403,986)	-	(403,986)
<b>Total governmental activities</b>	<b>\$ 153,534,348</b>	<b>5,767,826</b>	<b>22,495,033</b>	<b>(125,271,489)</b>	<b>-</b>	<b>(125,271,489)</b>
Business-type activities:						
Community education	\$ 2,431,457	2,673,980	-	-	242,523	242,523
Video display board	22,450	103,434	-	-	80,984	80,984
<b>Total business-type activities</b>	<b>\$ 2,453,907</b>	<b>2,777,414</b>	<b>-</b>	<b>-</b>	<b>323,507</b>	<b>323,507</b>
<b>Total primary government</b>	<b>\$ 155,988,255</b>	<b>8,545,240</b>	<b>22,495,033</b>	<b>(125,271,489)</b>	<b>323,507</b>	<b>(124,947,982)</b>
General revenues:						
Property taxes, levied for general purposes				\$ 111,779,292	-	111,779,292
Property taxes, levied for debt service				36,650,526	-	36,650,526
State aid-formula grants				4,799,557	-	4,799,557
Investment earnings				2,122,979	-	2,122,979
Miscellaneous revenue				201,137	-	201,137
<b>Total general revenues</b>				<b>155,553,491</b>	<b>-</b>	<b>155,553,491</b>
Change in net position				30,282,002	323,507	30,605,509
Net position - beginning, as restated				27,105,263	2,019,591	29,124,854
Net position - ending				<b>\$ 57,387,265</b>	<b>2,343,098</b>	<b>59,730,363</b>

The notes to the financial statements are an integral part of this statement.

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**August 31, 2018**

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 907,512	740,102	1,668,194	3,074,602	6,390,410
Temporary investments	38,394,757	5,761,612	105,997,941	-	150,154,310
Receivables:					
Property taxes - delinquent	2,572,690	818,978	-	-	3,391,668
Allowance for uncollectible taxes	(914,615)	(268,443)	-	-	(1,183,058)
Due from other governments	-	-	-	653,845	653,845
Due from other funds	698,890	-	-	-	698,890
Other receivables	9,131	-	-	3,212	12,343
Inventory	49,520	-	-	21,500	71,020
Total assets	<u>\$ 41,717,885</u>	<u>7,052,249</u>	<u>107,666,135</u>	<u>3,753,159</u>	<u>160,189,428</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 345,324	-	8,852,614	53,342	9,251,280
Accrued expenditures	-	-	1,798,634	-	1,798,634
Payroll deductions and withholdings payable	797,615	-	-	-	797,615
Accrued wages payable	4,123,015	-	-	170,349	4,293,364
Due to other governments	3,815	-	-	-	3,815
Due to other funds	14,174	-	-	698,890	713,064
Unearned revenue	164,763	-	-	254,442	419,205
Total liabilities	<u>5,448,706</u>	<u>-</u>	<u>10,651,248</u>	<u>1,177,023</u>	<u>17,276,977</u>
Deferred inflows of resources-					
Deferred revenue - property taxes	1,658,075	550,535	-	-	2,208,610
Fund balances:					
Nonspendable	49,520	-	-	-	49,520
Restricted for:					
Debt service	-	6,501,714	-	-	6,501,714
Authorized construction	-	-	97,014,887	-	97,014,887
Food service	-	-	-	1,352,918	1,352,918
Committed to:					
Compensated absences	542,649	-	-	-	542,649
Campus activities	-	-	-	1,010,831	1,010,831
Assigned to-					
Locally funded campus programs	-	-	-	212,387	212,387
Unassigned	34,018,935	-	-	-	34,018,935
Total fund balances	<u>34,611,104</u>	<u>6,501,714</u>	<u>97,014,887</u>	<u>2,576,136</u>	<u>140,703,841</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 41,717,885</u>	<u>7,052,249</u>	<u>107,666,135</u>	<u>3,753,159</u>	

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	324,660,945
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,208,610
The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position.	940,058
The following liabilities and deferred inflows and outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including premiums	(377,112,902)
Less: Deferred charges on bond refundings	13,012,522
Bond interest payable	(2,777,106)
Compensated absences	(542,649)
Net pension liability	(13,282,490)
Net OPEB liability	(24,002,534)
Pension contributions after measurement date	1,434,482
OPEB contributions after measurement date	412,926
Deferred outflows related to pension liability	3,799,651
Deferred outflows related to OPEB liability	3,755
Deferred inflows related to pension liability	(2,031,539)
Deferred inflows related to OPEB liability	(10,040,305)
Net position of governmental activities	<u>\$ 57,387,265</u>

The notes to the financial statements are an integral part of this statement.

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended August 31, 2018**

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local and intermediate sources	\$ 113,698,430	36,708,073	947,831	7,613,494	158,967,828
State program revenues	7,436,309	236,249	-	534,049	8,206,607
Federal program revenues	503,943	-	-	2,447,253	2,951,196
Total revenues	<u>121,638,682</u>	<u>36,944,322</u>	<u>947,831</u>	<u>10,594,796</u>	<u>170,125,631</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	43,994,774	-	-	3,830,214	47,824,988
Instructional resources and media services	809,769	-	-	-	809,769
Curriculum and staff development	685,689	-	-	196,779	882,468
Instructional leadership	1,102,670	-	-	-	1,102,670
School leadership	3,644,184	-	-	-	3,644,184
Guidance, counseling and evaluation services	2,569,010	-	-	479,156	3,048,166
Health services	640,794	-	-	-	640,794
Student transportation	3,986,277	-	-	9,374	3,995,651
Food services	67,053	-	-	4,603,766	4,670,819
Extracurricular activities	2,385,203	-	-	1,088,417	3,473,620
General administration	3,425,618	-	-	-	3,425,618
Facilities maintenance and operations	8,702,507	-	-	-	8,702,507
Security and monitoring services	318,785	-	-	-	318,785
Data processing services	2,098,949	-	-	-	2,098,949
Community services	344,276	-	-	50,120	394,396
Debt service:					
Principal on long-term debt	-	26,740,000	-	-	26,740,000
Interest on long-term debt	-	8,845,843	-	-	8,845,843
Other debt service expenditures	-	872,218	1,144,327	-	2,016,545
Facilities acquisition and construction	16,442	-	53,470,691	-	53,487,133
Intergovernmental:					
Contracted instructional services between schools	43,527,535	-	-	-	43,527,535
Incremental costs related to Chapter 41	293,383	-	-	-	293,383
Payments related to shared services arrangements	27,508	-	-	15,000	42,508
Other intergovernmental charges	403,986	-	-	-	403,986
Total expenditures	<u>119,044,412</u>	<u>36,458,061</u>	<u>54,615,018</u>	<u>10,272,826</u>	<u>220,390,317</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,594,270</u>	<u>486,261</u>	<u>(53,667,187)</u>	<u>321,970</u>	<u>(50,264,686)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of bonds	-	18,266	143,586,734	-	143,605,000
Issuance of refunding bonds	-	82,905,000	-	-	82,905,000
Premium on sale of bonds	-	10,939,218	10,557,593	-	21,496,811
Payment to refunded bond escrow agent	-	(93,079,114)	-	-	(93,079,114)
Total other financing sources, net	<u>-</u>	<u>783,370</u>	<u>154,144,327</u>	<u>-</u>	<u>154,927,697</u>
Net change in fund balances	2,594,270	1,269,631	100,477,140	321,970	104,663,011
Fund balances, beginning	32,016,834	5,232,083	(3,462,253)	2,254,166	36,040,830
Fund balances, ending	<u>\$ 34,611,104</u>	<u>6,501,714</u>	<u>97,014,887</u>	<u>2,576,136</u>	<u>140,703,841</u>

The notes to the financial statements are an integral part of this statement.

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended August 31, 2018**

---

Net change in fund balances - total governmental funds	\$ 104,663,011
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	48,188,179
Disposal of capital assets	(14,695)
Depreciation expense	(10,280,764)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	250,504
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bond proceeds, including premiums	(248,006,811)
Repayment of bond principal	26,740,000
Payment to refunded bond escrow agent	93,079,114
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in bond interest payable	(2,355,194)
Amortization of deferred charges on bond refundings	(733,187)
Amortization of bond premiums	11,455,939
Change in compensated absences	(112,208)
Pension contributions made during the measurement year	1,358,835
Change in pension contributions made after the measurement date	73,019
Proportionate share of collective pension expense	882,879
Adjustment for ending deferred inflows and outflows related to net pension liability	(2,962,128)
OPEB contributions made during the measurement year	289,606
Change in OPEB contributions made after the measurement date	125,963
Proportionate share of collective OPEB expense	18,083,122
Adjustment for ending deferred inflows and outflows related to net OPEB liability	(10,036,550)
The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.	
	(406,632)
Change in net position of governmental activities	\$ 30,282,002

The notes to the financial statements are an integral part of this statement.

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**Year Ended August 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local and intermediate sources	\$ 113,723,766	113,723,766	113,698,430	(25,336)
State program revenues	6,032,167	6,956,234	7,436,309	480,075
Federal program revenues	320,000	320,000	503,943	183,943
Total revenues	<u>120,075,933</u>	<u>121,000,000</u>	<u>121,638,682</u>	<u>638,682</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	44,043,331	44,043,331	43,994,774	48,557
Instructional resources and media services	807,497	822,497	809,769	12,728
Curriculum and staff development	682,738	692,738	685,689	7,049
Instructional leadership	1,088,530	1,108,530	1,102,670	5,860
School leadership	3,676,979	3,676,979	3,644,184	32,795
Guidance, counseling and evaluation services	2,649,957	2,649,957	2,569,010	80,947
Health services	643,117	653,117	640,794	12,323
Student transportation	3,823,730	4,123,730	3,986,277	137,453
Food services	75,000	85,000	67,053	17,947
Extracurricular activities	2,283,233	2,483,233	2,385,203	98,030
General administration	3,508,344	3,508,344	3,425,618	82,726
Facilities maintenance and operations	9,444,323	9,444,323	8,702,507	741,816
Security and monitoring services	358,087	363,087	318,785	44,302
Data processing services	2,270,607	2,270,607	2,098,949	171,658
Community services	364,120	374,120	344,276	29,844
Facilities acquisition and construction	20,000	30,000	16,442	13,558
Intergovernmental:				
Contracted instructional services between schools	43,498,187	43,812,254	43,527,535	284,719
Incremental costs related to Chapter 41	339,990	339,990	293,383	46,607
Payments related to shared services arrangements	15,000	35,000	27,508	7,492
Payments related to juvenile justice alternative education programs	15,000	15,000	-	15,000
Other intergovernmental charges	468,163	468,163	403,986	64,177
Total expenditures	<u>120,075,933</u>	<u>121,000,000</u>	<u>119,044,412</u>	<u>1,955,588</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>2,594,270</u>	<u>2,594,270</u>
Fund balance, beginning	<u>32,016,834</u>	<u>32,016,834</u>	<u>32,016,834</u>	<u>-</u>
Fund balance, ending	<u>\$ 32,016,834</u>	<u>32,016,834</u>	<u>34,611,104</u>	<u>2,594,270</u>

The notes to the financial statements are an integral part of this statement.

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Statements of Net Position**  
**Proprietary Funds**  
**August 31, 2018**

	<b>Business-type Activities- Nonmajor Enterprise Funds</b>	<b>Governmental Activities- Nonmajor Internal Service Funds</b>	<b>Total Proprietary Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,012,220	\$ 1,733,922	\$ 3,746,142
Temporary investments	-	109,905	109,905
Due from other funds	-	14,174	14,174
Total current assets	<u>2,012,220</u>	<u>1,858,001</u>	<u>3,870,221</u>
Noncurrent assets-			
Capital assets:			
Buildings and improvements	449,008	-	449,008
Accumulated depreciation	<u>(112,251)</u>	<u>-</u>	<u>(112,251)</u>
Total noncurrent assets	<u>336,757</u>	<u>-</u>	<u>336,757</u>
Total assets	<u>2,348,977</u>	<u>1,858,001</u>	<u>4,206,978</u>
<b>LIABILITIES</b>			
Current liabilities-			
Accounts payable	5,879	917,943	923,822
<b>NET POSITION</b>			
Net investment in capital assets	336,757	-	336,757
Unrestricted	<u>2,006,341</u>	<u>940,058</u>	<u>2,946,399</u>
Total net position	<u>\$ 2,343,098</u>	<u>\$ 940,058</u>	<u>\$ 3,283,156</u>

The notes to the financial statements are an integral part of this statement.

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Statements of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended August 31, 2018**

	<b>Business-type Activities- Nonmajor Enterprise Funds</b>	<b>Governmental Activities- Nonmajor Internal Service Funds</b>	<b>Total Proprietary Funds</b>
<b>Operating revenues-</b>			
Charges for services	\$ 2,777,414	\$ 10,374,729	\$ 13,152,143
<b>Operating expenses:</b>			
Payroll costs	2,039,856	-	2,039,856
Professional and contracted services	202,734	221,358	424,092
Supplies and materials	98,022	-	98,022
Claims	-	10,605,566	10,605,566
Other operating	90,845	85,413	176,258
Depreciation	22,450	-	22,450
Total operating expenses	2,453,907	10,912,337	13,366,244
Operating income (loss)	323,507	(537,608)	(214,101)
<b>Nonoperating revenue-</b>			
Investment and interest income	-	130,976	130,976
Change in net position	323,507	(406,632)	(83,125)
Total net position, beginning	2,019,591	1,346,690	3,366,281
Total net position, ending	\$ 2,343,098	\$ 940,058	\$ 3,283,156

The notes to the financial statements are an integral part of this statement.

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Statements of Cash Flows**  
**Proprietary Funds**  
**Year Ended August 31, 2018**

	<b>Business-type Activities- Nonmajor Enterprise Funds</b>	<b>Governmental Activities- Nonmajor Internal Service Funds</b>	<b>Total Proprietary Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from interfund services provided	\$ 2,777,414	\$ -	\$ 2,777,414
Receipts from contributors	-	10,374,729	10,374,729
Payments to employees	(2,039,856)	-	(2,039,856)
Payments to suppliers	(385,722)	(319,232)	(704,954)
Claims paid	-	(10,605,566)	(10,605,566)
Net cash provided by (used in) operating activities	<u>351,836</u>	<u>(550,069)</u>	<u>(198,233)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	-	(1,575)	(1,575)
Interest received	-	130,976	130,976
Net cash provided by investing activities	<u>-</u>	<u>129,401</u>	<u>129,401</u>
Net increase (decrease) in cash and cash equivalents	351,836	(420,668)	(68,832)
Cash and cash equivalents, beginning of the year	1,660,384	2,154,590	3,814,974
Cash and cash equivalents, end of the year	<u>\$ 2,012,220</u>	<u>\$ 1,733,922</u>	<u>\$ 3,746,142</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ 323,507	\$ (537,608)	\$ (214,101)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	22,450	-	22,450
Increase in accounts payable	5,879	-	5,879
Increase in due from other funds	-	(12,461)	(12,461)
Net cash provided by (used in) operating activities	<u>\$ 351,836</u>	<u>\$ (550,069)</u>	<u>\$ (198,233)</u>

The notes to the financial statements are an integral part of this statement.

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Agency Funds**  
**August 31, 2018**

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 111,680
Total assets	<u>\$ 111,680</u>
<b>LIABILITIES</b>	
Due to student groups	\$ 111,680
Total liabilities	<u>\$ 111,680</u>

The notes to the financial statements are an integral part of this statement.

# LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2018

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **The Financial Reporting Entity**

This report includes those activities, organizations and functions which are related to the Lake Travis Independent School District (the "District") and which are controlled by or dependent upon the District's governing body, the Board of School Trustees (the "Board"). The Board, a seven member group, is the level of government which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity.

The accounting policies of the District substantially comply with the rules prescribed by the Texas Education Agency's Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

#### **Government-Wide and Fund Financial Statements**

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

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

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

## **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues, interest income, and property taxes. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The Capital Projects Fund includes the proceeds from the sale of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

The Enterprise Funds are proprietary funds used to account for the operations of the District's community education programs and the operations of and advertising revenues generated from the District's video display board.

The Internal Service Funds are proprietary funds used to account for the District's workers compensation self-insurance fund, self-funded health insurance fund, and employee health savings account fund.

The Agency Fund is an unbudgeted fund and is used to account for activities of student groups. This fund has no equity, assets are equal to liabilities, and they do not include revenues and expenditures for general operations of the District.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

### **Budgetary Information**

Budgets are prepared annually for the General Fund, the Debt Service Fund, and the Food and Nutrition Services Fund (special revenue fund) on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by the end of August and is adopted by the Board at a public meeting after public notice of the meeting has been given no earlier than the 30th day or later than the 10th day before the public hearing. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. The budget was amended by the Board as needed throughout the year. For the year ended August 31, 2018, total expenditures in the General Fund were below budgeted amounts by \$1,955,588, total expenditures in the Food and Nutrition Services Fund were below budgeted amounts by \$245,234, and total expenditures in the Debt Service Fund were below budgeted amounts by \$280,229.

## **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance**

Investments - Temporary investments throughout the year consisted of investments in external local government investment pools and money markets, which are recognized at amortized cost and fair value, respectfully. External local government investment pools are recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Inventories - Inventories in the General Fund consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply and furniture and equipment inventory are recorded at cost (FIFO method) and are offset by a fund balance reserves which indicate that they do not represent "available expendable resources." Inventories in the Food and Nutrition Services Fund consist of commodities, purchased food and supplies. Purchased food and supplies are recorded at cost (FIFO method) and charged to expense when consumed. The commodity portion of inventory is valued at estimated market values supplied by the Texas Department of Human Services.

Capital Assets - Capital assets, which include land, buildings and improvements, construction in progress, furniture and equipment, and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost, if purchased, or at acquisition value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - fifteen to forty years, furniture and equipment - three to twenty years, vehicles - seven to ten years.

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles 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.

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local Board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum.

The District's liability for accrued compensated absences as of August 31, 2018 was \$542,649 and is included in the government-wide financial statements. A liability is reported as an expenditure in governmental funds only if they matured, for example, as a result of employee resignations and retirements. Compensated absences are generally liquidated by the General Fund.

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

Other Post-Employment Benefits - The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The fiduciary net position of the 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 other post-employment benefits ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Deferred Outflows and Deferred Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 7, 12 and 13 for additional information on deferred inflows and outflows of resources.

Fund Balance/Deficit - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 11 for additional information on those fund balance classifications.

Statement of Cash Flows - For purposes of the statement of cash flows of the Proprietary Funds, cash and cash equivalents include demand deposits.

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

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

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

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **Recently Issued Accounting Pronouncements**

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended August 31, 2021.

## 2. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy for operating and agency funds, in order of priority, are safety, investment liquidity and maturity sufficient to meet anticipated cash flow requirements. The primary objective of the District's investment strategy for Debt Service and Capital Projects Funds is sufficient investment liquidity to meet related obligations.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Securities lending program
- Banker's acceptances
- Commercial paper
- No-load money market mutual funds and no-load mutual funds
- Guaranteed investment contracts as an investment vehicle for bond proceeds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent 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 dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore the District is not exposed to custodial credit risk. Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2018, the carrying amount of the District's deposits was \$10,248,232 and the bank balance was \$18,257,427. The District's deposits with financial institutions at August 31, 2018 and during the year ended August 31, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District.

Funds were properly secured at all times throughout the year and the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a) Name of depository bank: Prosperity Bank and Chase Bank
- b) Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$81,689,545.
- c) Largest cash, savings and time deposit combined account balance amounted to \$52,616,712 and occurred during the month of July 2018.
- d) Total amount of FDIC coverage at the time of highest combined balance was \$500,000.

The District maintains a cash pool consisting of demand deposits. The combined pool is available for use by most Special Revenue Funds. If a fund overdraws its share of the pool, the overdraft is reported as an interfund payable in that fund. The offsetting interfund receivable is reported in the General Fund.

Investments held at August 31, 2018 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pool:			
TexPool	\$ 120,487,962	1	AAAm
MBIA Texas CLASS	<u>4,695,359</u>	1	AAAm
	125,183,321		
Prosperity Bank- Money market accounts	<u>25,080,894</u>	1	N/A
	<u><u>\$ 150,264,215</u></u>		

The District had investments in two external local governmental investment pools at August 31, 2018, consisting of the Texas Local Governmental Investment Pool ("TexPool") and MBIA Texas CLASS ("MBIA").

Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7-of the Investment Company Act of 1940. MBIA is registered with the SEC. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool's investment policy, which is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

MBIA is administered by MBIA-Municipal Investors Service Corporation ("MISC") and Wells Fargo Bank Texas. MISC is a subsidiary of MBIA Asset Management Group, one of the nation's largest providers of administrative and portfolio management services for local government investment pools. MBIA is supervised by a Board of Trustees who are elected by participants. The responsibility of the Board of Trustees includes the ability to influence operations, designation of management and accountability for fiscal matters. In addition, MBIA has an Advisory Board which provides input and feedback on the operations and direction of the program. Standard and Poor's reviews the pool on a weekly basis to ensure the pool's compliance with its rating requirements. MBIA's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

In accordance with GASB Statement No. 79, the external local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

Money markets are valued using Level 1 inputs that are based on market data obtained from independent sources. The investments are reported by the District at fair value in accordance with GASB Statement No. 72.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At August 31, 2018, investments were included in external local government investment pools and money market accounts with ratings from Standard & Poor's in compliance with the District's investment policy.

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 District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At August 31, 2018, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government. At August 31, 2018, the District had 100% of its investments in money market accounts and external local government investment pools.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the District's investment policy requires that maturities will not exceed the weighted average maturity of 180 days for any internally created pool fund group and one year from the time of purchase for any other individual investment. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the external local government investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At August 31, 2018, investments were included in external local government investment pools and money market accounts which have a weighted average maturity of one day.

### **3. PROPERTY TAXES**

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Travis Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the Board sets the tax rates on property and the Travis County Tax Office provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every three years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 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 and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2017, upon which the October 2017 levy was based was \$10,969,867,472. The District levied taxes based on a combined tax rate of \$1.4075 per \$100 of assessed valuation for local maintenance (general governmental services) and debt service.

In May 1993, the Texas Legislature passed Senate Bill 7. Senate Bill 7 significantly changed certain aspects of the school finance system relative to accountability, teacher appraisal, career ladder, funding allotments, district local share, distribution of Foundation School Funds, tax limitations and rollback tax provisions. Funding equalization for school districts is a major component of the bill. Districts with wealth per student in excess of \$319,500 are required to take action to bring their wealth down to the equalized State level. During the year ended August 31, 2018, the District was required to pay \$43,527,535 to purchase attendance credits to equalize its wealth per weighted average daily attendance ("WADA"). This purchase of WADA was made to the Texas Education Agency and was incorporated into the District's budget.

#### 4. DUE FROM/TO OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. The District is also required to make payments to the State to equalize its WADA (see Note 3). These amounts are reported in the basic financial statements as Due from/to Other Governments and are summarized below as of August 31, 2018.

	General Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ -	653,845	653,845
Total due from other governments	<u>\$ -</u>	<u>653,845</u>	<u>653,845</u>
Other	\$ 3,815	-	3,815
Total due to other governments	<u>\$ 3,815</u>	<u>-</u>	<u>3,815</u>

#### 5. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of August 31, 2018 was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Special Revenue Funds	\$ 698,890
Internal Service Fund	General Fund	14,174
Total		<u>\$ 713,064</u>

## 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Disposals	Transfers	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 28,417,557	-	-	-	28,417,557
Construction in progress	2,872,169	42,213,133	-	(855,816)	44,229,486
Total capital assets, not being depreciated	31,289,726	42,213,133	-	(855,816)	72,647,043
Capital assets, being depreciated:					
Buildings and improvements	328,889,887	-	-	855,816	329,745,703
Furniture and equipment	15,403,932	691,197	-	-	16,095,129
Vehicles	8,421,973	5,283,849	(1,415,796)	-	12,290,026
Total capital assets being depreciated	352,715,792	5,975,046	(1,415,796)	855,816	358,130,858
Less accumulated depreciation for:					
Buildings and improvements	(80,942,691)	(8,753,918)	-	-	(89,696,609)
Furniture and equipment	(10,978,498)	(923,468)	-	-	(11,901,966)
Vehicles	(5,316,104)	(603,378)	1,401,101	-	(4,518,381)
Total accumulated depreciation	(97,237,293)	(10,280,764)	1,401,101	-	(106,116,956)
Total capital assets, being depreciated, net	255,478,499	(4,305,718)	(14,695)	855,816	252,013,902
Governmental activities capital assets, net	<u>\$286,768,225</u>	<u>37,907,415</u>	<u>(14,695)</u>	<u>-</u>	<u>324,660,945</u>
<b>Business-type activities:</b>					
Buildings and improvements	\$ 449,008	-	-	-	449,008
Accumulated depreciation	(89,801)	(22,450)	-	-	(112,251)
Business-type activities capital assets, net	<u>\$ 359,207</u>	<u>(22,450)</u>	<u>-</u>	<u>-</u>	<u>336,757</u>

Depreciation expense was charged to functions/programs of the District as follows:

**Governmental activities:**

Instruction	\$ 6,317,204
Instructional resources and media services	59,539
Instructional leadership	18,558
School leadership	272,004
Guidance, counseling, and evaluation services	150,833
Health services	46,147
Student transportation	608,288
Food services	272,581
Extracurricular activities	608,402
General administration	35,760
Facilities maintenance and operations	1,177,334
Data processing services	674,598
Community services	39,516
	<hr/>
Total depreciation expense - governmental activities	\$ 10,280,764
	<hr/> <hr/>
<b>Business-type activities-</b>	
Video display board	\$ 22,450
	<hr/> <hr/>

**7. DEFERRED CHARGES ON BOND REFUNDINGS**

The following is a summary of changes in deferred charges on bond refundings for the year ended August 31, 2018:

Deferred charges on bond refundings - August 31, 2017	\$ 4,756,595
Additions from Series 2017 refunding	8,989,114
Retirements from refundings	(733,187)
	<hr/>
Deferred charges on bond refundings - August 31, 2018	\$ 13,012,522
	<hr/> <hr/>

**8. LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended August 31, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
	<hr/>	<hr/>	<hr/>	<hr/>
General obligation bonds	\$ 222,725,000	226,510,000	(110,830,000)	338,405,000
Premiums on bonds	28,667,030	21,496,811	(11,455,939)	38,707,902
Compensated absences	430,441	112,208	-	542,649
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 251,822,471	248,119,019	(122,285,939)	377,655,551
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Bonded debt consisted of the following at August 31, 2018:

General Obligation Bonds Series	Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at 8-31-18	Due Within One Year
2012	08-15-12	143,120,000	2042	3-5%	23,625,000	3,490,000
2013	02-28-13	104,600,000	2036	1.5-5%	90,135,000	5,050,000
2017	12-21-17	82,905,000	2040	1.5-5%	81,040,000	-
2018A	04-03-18	108,735,000	2048	3-5%	108,735,000	12,700,000
2018B	04-05-18	34,870,000	2048	2.65-7%	34,870,000	-
		<u>\$ 474,230,000</u>			<u>\$ 338,405,000</u>	<u>\$ 21,240,000</u>

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally limits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds \$0.50 per \$100 of assessed valuation of taxable property within the District. The District currently has a debt service tax rate of \$0.3475.

On December 21, 2017, the District issued \$82,905,000 of Unlimited Tax Refunding Bonds to advance refund \$84,090,000 of previously issued District bonds in order to lower its overall debt service requirements. The net proceeds of \$93,082,577 (after payment of \$772,655 in underwriting fees, insurance, and other issuance costs) were used for the following: \$93,079,114 was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$3,463 was deposited in the Debt Service Fund for future interest and principal payments. As a result, \$84,090,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$8,989,114. This amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding reduced debt service payments by \$14,614,871 and resulted in an economic gain of \$10,771,250.

On April 3, 2018, the District issued \$108,735,000 in Unlimited Tax School Building Bonds, Series 2018A, for the acquisition, construction, renovation and equipment of school facilities in the District, including the purchase of school sites and school buses, to fund capitalized interest on the bonds, and to pay costs of issuance of the bonds. The net proceeds of \$118,011,047 (after payment of \$840,092 in underwriting fees, insurance, and other issuance costs) were used for the following: \$118,000,000 was invested by the District to fund future construction and \$11,047 was deposited in the Debt Service Fund for future interest and principal payments and bond issuance costs.

On April 5, 2018, the District issued \$34,870,000 in Variable Rate Unlimited Tax School Building Bonds, Series 2018B, for the acquisition, construction, renovation and equipment of school facilities in the District, including the purchase of school sites and school buses, to fund capitalized interest on the bonds, and to pay costs of issuance of the bonds. The net proceeds of \$35,007,219 (after payment of \$304,235 in underwriting fees, insurance, and other issuance costs) were used for the following: \$35,000,000 was invested by the District to fund future construction and \$7,219 was deposited in the Debt Service Fund for future interest and principal payments and bond issuance costs.

In February 2018, the District made early payments of \$17,414,789 on its Series 2012 bonds prior to its scheduled maturity date. This included \$16,285,000 and \$1,129,789 of principal and accrued interest, respectively. The Series 2012 bonds paid had maturity dates of February 2023 through 2042. These early payments resulted in overall debt service savings to the District of approximately \$11,390,618.

In the current and prior year, the District defeased certain outstanding general obligation bonds by placing advance payments made by the District in irrevocable trusts to provide for all the future debt service payments on the bonds redeemed early by the District. Accordingly, the trust account assets and the defeased bonds are not included in the District’s financial statements. At August 31, 2018, outstanding bonds of \$105,760,000 are considered defeased.

The annual principal installments for each of the outstanding issues vary each year. As of August 31, 2018, the debt service requirements to maturity for general obligation bonds are as follows:

Year Ended August 31,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 21,240,000	16,050,784	37,290,784
2020	15,545,000	13,047,451	28,592,451
2021	17,110,000	12,308,038	29,418,038
2022	10,265,000	12,419,094	22,684,094
2023	7,000,000	12,785,025	19,785,025
2024-2028	48,100,000	58,141,600	106,241,600
2029-2033	65,345,000	45,124,700	110,469,700
2034-2038	68,265,000	29,965,945	98,230,945
2039-2043	46,110,000	16,152,083	62,262,083
2044-2048	39,425,000	5,632,850	45,057,850
Total	<u>\$ 338,405,000</u>	<u>221,627,570</u>	<u>560,032,570</u>

The Series 2018B Bonds are variable interest bonds and will bear interest at a per annum rate of 2.65% through February 14, 2022. Thereafter, the bonds will bear interest at a rate or rates determined by the remarketing agent as provided in the bond order.

At August 31, 2018, the District had \$100 million of its general obligation bonds authorized by voters of the District that had not been issued.

## 9. UNEARNED REVENUE

At August 31, 2018, unearned revenue in the governmental funds consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Football season tickets	\$ 164,763	-	164,763
Prepayments for student meals	-	254,442	254,442
Total	<u>\$ 164,763</u>	<u>254,442</u>	<u>419,205</u>

## 10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2018, revenues from local and intermediate sources in the governmental funds consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$111,039,630	36,400,880	-	-	147,440,510
Investment earnings	923,814	111,965	947,831	8,393	1,992,003
Penalties, interest, and other tax related income	543,576	195,228	-	-	738,804
Tuition and fees from patrons	78,980	-	-	2,210,942	2,289,922
Food service	-	-	-	4,563,104	4,563,104
Co-curricular student activities	476,749	-	-	-	476,749
Rent	437,493	-	-	-	437,493
Gifts and donations	-	-	-	831,055	831,055
Other	198,188	-	-	-	198,188
Total	<u>\$113,698,430</u>	<u>36,708,073</u>	<u>947,831</u>	<u>7,613,494</u>	<u>158,967,828</u>

## 11. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page 17.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the Superintendent or the Assistant Superintendent for Business, Financial and Auxiliary Services to assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

## **12. DEFINED BENEFIT PENSION PLANS**

### **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 TRS. TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

### **Pension Plan Fiduciary Net Position**

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

### **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, in which 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 cost-of-living adjustments ("COLAs"). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

### **Contributions**

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

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

	2017	2018
Contribution Rates:		
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2018 District Contributions		\$ 1,434,482
FY 2018 Member Contributions		\$ 4,059,301
FY 2018 NECE On-behalf Contributions		\$ 1,995,785

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 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 TRS 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.

### **Actuarial Assumptions**

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

### **Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0%. 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 TRS' target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Return*
Global Equity:			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value:			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	(0.2%)	0.0%
Real Return:			
Global Inflation-Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity-			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

### Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability	\$ 22,391,654	\$ 13,282,490	\$ 5,697,633

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

At August 31, 2018, the District reported a liability of \$13,282,490 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	\$ 13,282,490
State's proportionate share that is associated with the District	<u>26,164,741</u>
Total	<u>\$ 39,447,231</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.04154% which was an increase of 0.00046% from its proportion measured as of August 31, 2016.

### **Changes Since the Prior Actuarial Valuation**

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$2,081,877 and revenue of \$1,995,742 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 194,329	\$ 716,307
Changes in actuarial assumptions	605,039	346,370
Difference between projected and actual investment earnings	-	967,999
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,000,283	863
Contributions paid to TRS subsequent to the measurement date	<u>1,434,482</u>	<u>-</u>
Total	<u>\$ 5,234,133</u>	<u>\$ 2,031,539</u>

The \$1,434,482 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Pension Expense Amount</u>
Year ended August 31:	
2019	\$ 313,976
2020	1,161,832
2021	248,828
2022	(18,762)
2023	57,502
Thereafter	4,736

### 13. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

#### Plan Description

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

## OPEB Plan Fiduciary Net Position

Detailed information about TRS-Care'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 <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

## Benefits Provided

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

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

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

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

*\*or surviving spouse*

## Contributions

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.0% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. 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.

	<u>2017</u>	<u>2018</u>
<b>Contribution Rates:</b>		
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
FY 2018 District Contributions		\$ 412,926
FY 2018 Member Contributions		\$ 342,670
FY 2018 NECE On-behalf Contributions		\$ 483,887

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

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

### **Actuarial Assumptions**

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

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

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

#### Additional Actuarial Methods and Assumptions:

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

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

#### **Discount Rate**

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

Best estimates of geometric real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2017 are summarized below.

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Return*
Global Equity:			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value:			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	(0.2%)	0.0%
Real Return:			
Global Inflation-Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity-			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

### Sensitivity Analysis

*Discount Rate* - The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the 2017 Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the net OPEB liability	\$ 28,328,949	\$ 24,002,534	\$ 20,525,072



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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(8,046,267) and revenue of \$13,673,206 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 501,071
Changes in actuarial assumptions	-	9,539,234
Difference between projected and actual investment earnings	3,646	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	109	-
Contributions paid to TRS subsequent to the measurement date	<u>412,926</u>	<u>-</u>
Total	<u>\$ 416,681</u>	<u>\$ 10,040,305</u>

The \$412,926 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPEB Expense Amount</u>
Year ended August 31:	
2019	\$ (1,324,334)
2020	(1,324,334)
2021	(1,324,334)
2022	(1,324,334)
2023	(1,325,245)
Thereafter	(3,413,969)

#### 14. ON-BEHALF PAYMENTS

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal governments to TRS on behalf of the District. For the year ended August 31, 2018, reimbursements of \$157,080 were received by TRS and allocated to the District.

#### 15. HEALTH CARE COVERAGE

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the “Plan”). The District contributed \$500 per month per employee to the Plan, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents.

In fiscal year 2016, the District started a self-funded health insurance plan administered by Blue Cross Blue Shield. The District established an Internal Service Fund to account for and finance this partially uninsured risk of loss. The District is obligated to pay its own claims up to \$175,000 per claim. The claim liability below is an estimate of potential loss exposure on health insurance claims at year end which includes incurred but not reported (“IBNR”) claims and claims reported but not paid. A reconciliation of the estimated claim liability is as follows:

Year Ended August 31,	Beginning Liability	Estimated Current Year Claims	Claim Payments	Ending Liability
2016	\$ -	6,674,887	(6,344,849)	330,038
2017	\$ 330,038	11,080,368	(10,722,700)	687,706
2018	\$ 687,706	10,436,261	(10,436,261)	687,706

#### 16. RISK MANAGEMENT

The District’s risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, and other miscellaneous bonds. During the year ended August 31, 2018, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

**17. SELF-INSURANCE FUND**

The District has a partially self-insured workers’ compensation plan administered by Texas Public School’s Workers Compensation Project (“SchoolComp”) which is an insurance pool. The District established an Internal Service Fund to account for and finance this partially uninsured risk of loss. The District is obligated to pay its own claims up to \$75,000 per claim. The claim liability below is an estimate of potential loss exposure on workers’ compensation claims at year end which includes incurred but not reported (“IBNR”) claims and claims reported but not paid. A reconciliation of the estimated claim liability is as follows:

Year Ended August 31,	Beginning Liability	Estimated Current Year Claims	Claim Payments	Ending Liability
2016	\$ 225,909	79,056	(65,164)	239,801
2017	\$ 239,801	54,478	(64,042)	230,237
2018	\$ 230,237	208,935	(208,935)	230,237

**18. COMMITMENTS AND CONTINGENCIES**

The District participates in a number of federal financial assistance programs. Although the District grant programs have been audited in accordance with the provisions of the Uniform Guidance for the year ended August 31, 2018, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

At August 31, 2018, the District is also committed under construction contracts with a remaining balance of \$41,237,304.

**19. PRIOR PERIOD ADJUSTMENT**

In accordance with the adoption of GASB Statement No. 75 in the current fiscal year, the District must record its proportionate share of the net OPEB liability related to its contributions to the TRS cost-sharing OPEB plan at the beginning of the measurement period ending August 31, 2017. In addition, the District must record a deferred outflow of resources for its contributions to TRS-Care from the beginning of the measurement period through August 31, 2017. The effect of this change in accounting principle is as follows:

Net position - governmental activities - August 31, 2017	\$ 69,193,562
Net OPEB liability - August 31, 2016	(42,375,262)
District contributions - September 1, 2016 - August 31, 2017	<u>286,963</u>
Net position - governmental activities - August 31, 2017, as restated	<u><u>\$ 27,105,263</u></u>

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Teacher Retirement System of Texas**  
**8/31/2018\*\***

	2017*	2016*	2015*	2014*	2013*
District's proportion of the net pension liability	\$ 0.04154%	\$ 0.04108%	\$ 0.04251%	\$ 0.02488%	\$ 0.02490%
District's proportionate share of the net pension liability	13,282,490	15,524,204	15,027,849	6,646,594	8,161,471
State's proportionate share of the net pension liability associated with the District	26,164,741	30,795,688	29,615,675	24,848,135	30,502,132
Total	<u>\$ 39,447,231</u>	<u>\$ 46,319,892</u>	<u>\$ 44,643,524</u>	<u>\$ 31,494,729</u>	<u>\$ 38,663,603</u>
District's covered-employee payroll (for Measurement Year)	\$ 50,203,725	\$ 47,934,351	\$ 46,310,888	\$ 43,529,437	\$ 41,623,406
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	26.46%	32.39%	32.45%	15.27%	19.61%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	75.93%	92.75%	91.94%	72.90%	93.10%

\* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2013.

\*\* Schedule should provide ten years of Plan information, but data was unavailable prior to 2013.

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Schedule of District Contributions - Pensions**  
**Teacher Retirement System of Texas**  
**Last 10 Fiscal Years**

	2018	2017	2016	2015	2014
Contractually required contributions	\$ 1,434,482	\$ 1,361,463	\$ 1,299,389	\$ 1,258,836	\$ 630,852
Contributions in relation to the contractual required contributions	(1,434,482)	(1,361,463)	(1,299,389)	(1,258,836)	(630,852)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 52,718,193	\$ 50,203,725	\$ 47,934,351	\$ 46,310,888	\$ 43,529,437
Contributions as a percentage of covered payroll	2.72%	2.71%	2.71%	2.72%	1.45%
	2013	2012	2011	2010	2009
Contractually required contributions	\$ 553,164	\$ 443,325	\$ 519,626	\$ 506,950	\$ 506,875
Contributions in relation to the contractual required contributions	(553,164)	(443,325)	(519,626)	(506,950)	(506,875)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 41,623,406	\$ 39,514,453	\$ 39,456,448	\$ 38,234,505	\$ 35,907,059
Contributions as a percentage of covered payroll	1.33%	1.12%	1.32%	1.33%	1.41%

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability**  
**Teacher Retirement System of Texas**  
**8/31/2018\*\***

---

	2017*
District's proportion of the net OPEB liability	\$ 0.05520%
District's proportionate share of the net OPEB liability	24,002,534
State's proportionate share of the net OPEB liability associated with the District	40,861,087
Total	\$ 64,863,621
District's covered-employee payroll (for Measurement Year)	\$ 50,203,725
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	47.81%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%
Plan's net OPEB liability as a percentage of covered employee payroll	132.55%

\* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2017.

\*\* Schedule should provide ten years of Plan information, but data was unavailable prior to 2017.

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Schedule of District Contributions - OPEB**  
**Teacher Retirement System of Texas**  
**Last 10 Fiscal Years \*\***

	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Contractually required contributions	\$ 412,926	\$ 286,963	\$ 263,491	\$ 254,712	\$ 239,412
Contributions in relation to the contractual required contributions	<u>(412,926)</u>	<u>(286,963)</u>	<u>(263,491)</u>	<u>(254,712)</u>	<u>(239,412)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	\$ 52,718,193	\$ 50,203,725	\$ 47,934,351	\$ 46,310,888	\$ 43,529,437
Contributions as a percentage of covered payroll	0.78%	0.57%	0.55%	0.55%	0.55%
	<u>2013*</u>	<u>2012*</u>			
Contractually required contributions	\$ 228,928	\$ 217,327			
Contributions in relation to the contractual required contributions	<u>(228,928)</u>	<u>(217,327)</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
District's covered employee payroll	\$ 41,623,406	\$ 39,514,453			
Contributions as a percentage of covered payroll	0.55%	0.55%			

\* The amounts presented for each Plan year are as of August 31, plan information was unavailable prior to 2012.

\*\* Schedule should provide ten years of Plan information, but data was unavailable prior to 2012.

# LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED AUGUST 31, 2018

---

### 1. CHANGE IN ASSUMPTIONS

#### Pensions

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

#### OPEB

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

- Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Governmental Funds**  
**August 31, 2018**

	211	224	225	226	240	244
	Title I Grants to Local Education Agencies	Special Education - Grants to States (Formula)	Special Education - Preschool Grants	Special Education - Grants to States (High Cost)	Food and Nutrition Services	Career and Technical Education - Basic Grants to States
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	-	-	-	1,805,224	-
Due from other governments	187,281	307,800	1,564	-	30,562	9,142
Other receivables	-	-	-	-	3,212	-
Inventory	-	-	-	-	21,500	-
Total assets	<u>\$ 187,281</u>	<u>307,800</u>	<u>1,564</u>	<u>-</u>	<u>1,860,498</u>	<u>9,142</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ -	-	-	-	7,182	-
Accrued wages payable	-	-	-	-	170,349	-
Due to other funds	187,281	307,800	1,564	-	75,607	9,142
Unearned revenue	-	-	-	-	254,442	-
Total liabilities	<u>187,281</u>	<u>307,800</u>	<u>1,564</u>	<u>-</u>	<u>507,580</u>	<u>9,142</u>
Fund balances:						
Restricted	-	-	-	-	1,352,918	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,352,918</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 187,281</u>	<u>307,800</u>	<u>1,564</u>	<u>-</u>	<u>1,860,498</u>	<u>9,142</u>

(continued)

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Governmental Funds (continued)**  
**August 31, 2018**

	255	263	289	289	392	397	410
	<u>Supporting Effective Instruction State Grants</u>	<u>English Language Acquisition State Grants</u>	<u>Grants for State Assessments and Related Activites</u>	<u>Student Support and Academic Enrichment Program</u>	<u>Non-Educational Community-Based Support</u>	<u>Advanced Placement Initiatives</u>	<u>State Instructional Materials</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	-	-	-	-	-	46,160
Due from other governments	66,581	37,489	-	12,271	1,155	-	-
Other receivables	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ 66,581</u>	<u>37,489</u>	<u>-</u>	<u>12,271</u>	<u>1,155</u>	<u>-</u>	<u>46,160</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ -	-	-	-	-	-	46,160
Accrued wages payable	-	-	-	-	-	-	-
Due to other funds	66,581	37,489	-	12,271	1,155	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>66,581</u>	<u>37,489</u>	<u>-</u>	<u>12,271</u>	<u>1,155</u>	<u>-</u>	<u>46,160</u>
Fund balances:							
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 66,581</u>	<u>37,489</u>	<u>-</u>	<u>12,271</u>	<u>1,155</u>	<u>-</u>	<u>46,160</u>

(continued)

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Governmental Funds (continued)**  
**August 31, 2018**

	<b>461</b>	<b>481</b>	<b>486</b>	<b>488</b>	<b>489</b>	<b>498/499</b>	<b>Total</b>
	<b>Campus Activity Funds</b>	<b>AP Testing</b>	<b>Athletic</b>	<b>PTA/PTO Donations</b>	<b>Other State and Local</b>	<b>Lake Travis Ed. Foundation Mini Grants</b>	<b>Special Revenue Funds</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,010,831	13,128	95,727	33,402	12,266	57,864	3,074,602
Due from other governments	-	-	-	-	-	-	653,845
Other receivables	-	-	-	-	-	-	3,212
Inventory	-	-	-	-	-	-	21,500
Total assets	<u>\$ 1,010,831</u>	<u>13,128</u>	<u>95,727</u>	<u>33,402</u>	<u>12,266</u>	<u>57,864</u>	<u>3,753,159</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ -	-	-	-	-	-	53,342
Accrued wages payable	-	-	-	-	-	-	170,349
Due to other funds	-	-	-	-	-	-	698,890
Unearned revenue	-	-	-	-	-	-	254,442
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,177,023</u>
Fund balances:							
Restricted	-	-	-	-	-	-	1,352,918
Committed	1,010,831	-	-	-	-	-	1,010,831
Assigned	-	13,128	95,727	33,402	12,266	57,864	212,387
Total fund balances	<u>1,010,831</u>	<u>13,128</u>	<u>95,727</u>	<u>33,402</u>	<u>12,266</u>	<u>57,864</u>	<u>2,576,136</u>
Total liabilities and fund balances	<u>\$ 1,010,831</u>	<u>13,128</u>	<u>95,727</u>	<u>33,402</u>	<u>12,266</u>	<u>57,864</u>	<u>3,753,159</u>

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Governmental Funds**  
**Year Ended August 31, 2018**

	211	224	225	226	240	244
	Title I Grants to Local Education Agencies	Special Education - Grants to States (Formula)	Special Education - Preschool Grants	Special Education - Grants to States (High Cost)	Food and Nutrition Services	Career and Technical Education - Basic Grants to States
<b>REVENUES</b>						
Local and intermediate sources	\$ -	-	-	-	4,571,498	-
State program revenues	-	-	-	-	9,528	-
Federal program revenues	435,794	1,227,130	1,564	64,294	488,161	42,241
Total revenues	<u>435,794</u>	<u>1,227,130</u>	<u>1,564</u>	<u>64,294</u>	<u>5,069,187</u>	<u>42,241</u>
<b>EXPENDITURES</b>						
Current:						
Instruction	435,794	909,118	1,564	64,294	-	29,578
Curriculum and staff development	-	33,980	-	-	-	12,663
Guidance, counseling and evaluation services	-	259,658	-	-	-	-
Health services	-	-	-	-	-	-
Student transportation	-	9,374	-	-	-	-
Food services	-	-	-	-	4,603,766	-
Extracurricular activities	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Payments related to shared services arrangements	-	15,000	-	-	-	-
Total expenditures	<u>435,794</u>	<u>1,227,130</u>	<u>1,564</u>	<u>64,294</u>	<u>4,603,766</u>	<u>42,241</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	465,421	-
Fund balances, beginning	-	-	-	-	887,497	-
Fund balances, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,352,918</u>	<u>-</u>

(continued)

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Governmental Funds (continued)**  
**Year Ended August 31, 2018**

	255	263	289	289	392	397	410
	<b>Supporting Effective Instruction State Grants</b>	<b>English Language Acquisition State Grants</b>	<b>Grants for State Assessments and Related Activities</b>	<b>Student Support and Academic Enrichment Program</b>	<b>Non-Educational Community-Based Support</b>	<b>Advanced Placement Initiatives</b>	<b>State Instructional Materials</b>
<b>REVENUES</b>							
Local and intermediate sources	\$ -	-	-	-	-	-	-
State program revenues	-	-	-	-	1,155	-	523,366
Federal program revenues	113,141	56,721	5,936	12,271	-	-	-
Total revenues	<u>113,141</u>	<u>56,721</u>	<u>5,936</u>	<u>12,271</u>	<u>1,155</u>	<u>-</u>	<u>523,366</u>
<b>EXPENDITURES</b>							
Current:							
Instruction	-	22,558	5,936	12,271	1,155	-	523,366
Curriculum and staff development	113,141	34,163	-	-	-	2,832	-
Guidance, counseling and evaluation services	-	-	-	-	-	-	-
Health services	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-
Food services	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-
Payments related to shared service arrangements	-	-	-	-	-	-	-
Total expenditures	<u>113,141</u>	<u>56,721</u>	<u>5,936</u>	<u>12,271</u>	<u>1,155</u>	<u>2,832</u>	<u>523,366</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	(2,832)	-
Fund balances, beginning	-	-	-	-	-	2,832	-
Fund balances, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(continued)

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Nonmajor Special Revenue Governmental Funds (continued)**  
**Year Ended August 31, 2018**

	<b>461</b>	<b>481</b>	<b>486</b>	<b>488</b>	<b>489</b>	<b>498/499</b>	<b>Total</b>
	<b>Campus Activity Funds</b>	<b>AP Testing</b>	<b>Athletic</b>	<b>PTA/PTO Donations</b>	<b>Other State and Local</b>	<b>Lake Travis Ed. Foundation Mini Grants</b>	<b>Special Revenue Funds</b>
<b>REVENUES</b>							
Local and intermediate sources	\$ 1,999,442	211,499	370,253	165,152	75,650	220,000	7,613,494
State program revenues	-	-	-	-	-	-	534,049
Federal program revenues	-	-	-	-	-	-	2,447,253
Total revenues	<u>1,999,442</u>	<u>211,499</u>	<u>370,253</u>	<u>165,152</u>	<u>75,650</u>	<u>220,000</u>	<u>10,594,796</u>
<b>EXPENDITURES</b>							
Current:							
Instruction	1,409,264	-	-	148,245	11,437	255,634	3,830,214
Curriculum and staff development	-	-	-	-	-	-	196,779
Guidance, counseling and evaluation services	-	219,498	-	-	-	-	479,156
Student transportation	-	-	-	-	-	-	9,374
Food services	-	-	-	-	-	-	4,603,766
Extracurricular activities	646,009	-	396,950	5,559	39,899	-	1,088,417
Community services	-	-	-	-	50,120	-	50,120
Payments related to shared services arrangements	-	-	-	-	-	-	15,000
Total expenditures	<u>2,055,273</u>	<u>219,498</u>	<u>396,950</u>	<u>153,804</u>	<u>101,456</u>	<u>255,634</u>	<u>10,272,826</u>
Excess (deficiency) of revenues over (under) expenditures	(55,831)	(7,999)	(26,697)	11,348	(25,806)	(35,634)	321,970
Fund balances, beginning	1,066,662	21,127	122,424	22,054	38,072	93,498	2,254,166
Fund balances, ending	<u>\$ 1,010,831</u>	<u>13,128</u>	<u>95,727</u>	<u>33,402</u>	<u>12,266</u>	<u>57,864</u>	<u>2,576,136</u>

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Net Position**  
**Business-type Activities- Nonmajor Enterprise Funds**  
**August 31, 2018**

	<u>Community Education</u>	<u>Video Display Board</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>ASSETS</b>			
Current assets-			
Cash and cash equivalents	\$ 1,797,092	\$ 215,128	\$ 2,012,220
Total current assets	<u>1,797,092</u>	<u>215,128</u>	<u>2,012,220</u>
Noncurrent assets-			
Capital assets:			
Buildings and improvements	-	449,008	449,008
Accumulated depreciation	-	(112,251)	(112,251)
Total noncurrent assets	<u>-</u>	<u>336,757</u>	<u>336,757</u>
Total assets	<u><u>1,797,092</u></u>	<u><u>551,885</u></u>	<u><u>2,348,977</u></u>
<b>LIABILITIES</b>			
Current liabilities-			
Accounts payable	<u>5,879</u>	<u>-</u>	<u>5,879</u>
Total liabilities	<u>5,879</u>	<u>-</u>	<u>5,879</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	336,757	336,757
Unrestricted	<u>1,791,213</u>	<u>215,128</u>	<u>2,006,341</u>
Total net position	<u><u>\$ 1,791,213</u></u>	<u><u>\$ 551,885</u></u>	<u><u>\$ 2,343,098</u></u>

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Business-type Activities- Nonmajor Enterprise Funds**  
**Year Ended August 31, 2018**

---

	<u>Community Education</u>	<u>Video Display Board</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Operating revenues-</b>			
Charges for services	\$ 2,673,980	\$ 103,434	\$ 2,777,414
<b>Operating expenses:</b>			
Payroll costs	2,039,856	-	2,039,856
Professional and contracted services	202,734	-	202,734
Supplies and materials	98,022	-	98,022
Other operating	90,845	-	90,845
Depreciation	-	22,450	22,450
Total operating expenses	<u>2,431,457</u>	<u>22,450</u>	<u>2,453,907</u>
Operating income	<u>242,523</u>	<u>80,984</u>	<u>323,507</u>
Change in net position	242,523	80,984	323,507
Total net position, beginning	<u>1,548,690</u>	<u>470,901</u>	<u>2,019,591</u>
Total net position, ending	<u>\$ 1,791,213</u>	<u>\$ 551,885</u>	<u>\$ 2,343,098</u>

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Cash Flows**  
**Business-type Activities- Nonmajor Enterprise Funds**  
**Year Ended August 31, 2018**

---

	<b>Community Education</b>	<b>Video Display Board</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from interfund services provided	\$ 2,673,980	\$ 103,434	\$ 2,777,414
Payments to employees	(2,039,856)	-	(2,039,856)
Payments to suppliers	(385,722)	-	(385,722)
Net cash provided by operating activities	248,402	103,434	351,836
Cash and cash equivalents, beginning of the year	1,548,690	111,694	1,660,384
Cash and cash equivalents, end of the year	\$ 1,797,092	\$ 215,128	\$ 2,012,220
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 242,523	\$ 80,984	323,507
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	22,450	22,450
Increase in accounts payable	5,879	-	5,879
Net cash provided by operating activities	\$ 248,402	\$ 103,434	\$ 351,836

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Net Position**  
**Governmental Activities- Nonmajor Internal Service Funds**  
**August 31, 2018**

	<u>Workers Compensation</u>	<u>Self-Funded Health Insurance</u>	<u>DSA/HSA</u>	<u>Total Nonmajor Internal Service Funds</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 445,489	\$ 1,213,813	\$ 74,620	\$ 1,733,922
Temporary investments	109,905	-	-	109,905
Due from other funds	-	14,174	-	14,174
Total current assets	<u>555,394</u>	<u>1,227,987</u>	<u>74,620</u>	<u>1,858,001</u>
Total assets	<u><u>555,394</u></u>	<u><u>1,227,987</u></u>	<u><u>74,620</u></u>	<u><u>1,858,001</u></u>
<b>LIABILITIES</b>				
Current liabilities-				
Accounts payable	<u>230,237</u>	<u>687,706</u>	<u>-</u>	<u>917,943</u>
Total liabilities	<u>230,237</u>	<u>687,706</u>	<u>-</u>	<u>917,943</u>
<b>NET POSITION</b>				
Unrestricted	<u>325,157</u>	<u>540,281</u>	<u>74,620</u>	<u>940,058</u>
Total net position	<u><u>\$ 325,157</u></u>	<u><u>\$ 540,281</u></u>	<u><u>\$ 74,620</u></u>	<u><u>\$ 940,058</u></u>

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Governmental Activities- Nonmajor Internal Service Funds**  
**Year Ended August 31, 2018**

---

	<u>Workers Compensation</u>	<u>Self Funded Health Insurance</u>	<u>DSA/HSA</u>	<u>Total Nonmajor Internal Service Funds</u>
<b>Operating revenues-</b>				
Charges for services	\$ 403,149	\$ 9,704,950	\$ 266,630	\$ 10,374,729
<b>Operating expenses:</b>				
Professional and contracted services	136,517	84,841	-	221,358
Claims	123,522	10,223,854	258,190	10,605,566
Other operating	85,413	-	-	85,413
Total operating expenses	345,452	10,308,695	258,190	10,912,337
Operating income (loss)	57,697	(603,745)	8,440	(537,608)
<b>Non-operating revenues-</b>				
Investment and interest income	2,394	128,243	339	130,976
Change in net position	60,091	(475,502)	8,779	(406,632)
Total net position, beginning	265,066	1,015,783	65,841	1,346,690
Total net position, ending	<u>\$ 325,157</u>	<u>\$ 540,281</u>	<u>\$ 74,620</u>	<u>\$ 940,058</u>

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Combining Statement of Cash Flows**  
**Governmental Activities- Nonmajor Internal Service Funds**  
**Year Ended August 31, 2018**

---

	<b>Workers Compensation</b>	<b>Self Funded Health Insurance</b>	<b>DSA/HSA</b>	<b>Total Nonmajor Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from contributors	\$ 403,149	\$ 9,704,950	\$ 266,630	\$ 10,374,729
Payments to suppliers	(221,930)	(97,302)	-	(319,232)
Claims paid	(123,522)	(10,223,854)	(258,190)	(10,605,566)
Net cash provided by (used in) operating activities	57,697	(616,206)	8,440	(550,069)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investments	(1,575)	-	-	(1,575)
Interest received	2,394	128,243	339	130,976
Net cash provided by investing activities	819	128,243	339	129,401
Net change in cash and cash equivalents	58,516	(487,963)	8,779	(420,668)
Cash and cash equivalents, beginning of the year	386,973	1,701,776	65,841	2,154,590
Cash and cash equivalents, end of the year	\$ 445,489	\$ 1,213,813	\$ 74,620	\$ 1,733,922
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 57,697	\$ (603,745)	\$ 8,440	(537,608)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities-				
Increase in due from other funds	-	(12,461)	-	(12,461)
Net cash provided by (used in) operating activities	\$ 57,697	\$ (616,206)	\$ 8,440	\$ (550,069)

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**

**Debt Service Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
Year Ended August 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local and intermediate sources	\$ 36,738,290	36,738,290	36,708,073	(30,217)
State program revenues	-	-	236,249	236,249
Total revenues	<u>36,738,290</u>	<u>36,738,290</u>	<u>36,944,322</u>	<u>206,032</u>
<b>EXPENDITURES</b>				
Principal on long-term debt	24,875,000	24,875,000	26,740,000	(1,865,000)
Interest on long-term debt	11,127,370	11,127,370	8,845,843	2,281,527
Other debt service expenditures	735,920	735,920	872,218	(136,298)
Total expenditures	<u>36,738,290</u>	<u>36,738,290</u>	<u>36,458,061</u>	<u>280,229</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>486,261</u>	<u>486,261</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of bonds	-	-	18,266	18,266
Issuance of refunding bonds	-	-	82,905,000	82,905,000
Premium on sale of bonds	-	-	10,939,218	10,939,218
Payment to refunded bond escrow agent	-	-	(93,079,114)	(93,079,114)
Total other financing sources, net	<u>-</u>	<u>-</u>	<u>783,370</u>	<u>783,370</u>
Fund balance, beginning	<u>5,232,083</u>	<u>5,232,083</u>	<u>5,232,083</u>	<u>-</u>
Fund balance, ending	<u>\$ 5,232,083</u>	<u>5,232,083</u>	<u>6,501,714</u>	<u>1,269,631</u>

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Food and Nutrition Services Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Year Ended August 31, 2018**

---

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local and intermediate sources	\$ 4,309,000	4,309,000	4,571,498	262,498
State program revenues	10,000	10,000	9,528	(472)
Federal program revenues	530,000	530,000	488,161	(41,839)
Total revenues	<u>4,849,000</u>	<u>4,849,000</u>	<u>5,069,187</u>	<u>220,187</u>
<b>EXPENDITURES</b>				
Food services	4,720,000	4,720,000	4,603,766	116,234
Facilities maintenance and operations	129,000	129,000	-	129,000
Total expenditures	<u>4,849,000</u>	<u>4,849,000</u>	<u>4,603,766</u>	<u>245,234</u>
Excess of revenues over expenditures	-	-	465,421	465,421
Fund balance, beginning	<u>887,497</u>	<u>887,497</u>	<u>887,497</u>	<u>-</u>
Fund balance, ending	<u>\$ 887,497</u>	<u>887,497</u>	<u>1,352,918</u>	<u>465,421</u>

## **OTHER SCHEDULES**

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Delinquent Taxes Receivable**  
**Year Ended August 31, 2018**

<b>Last Ten Years Ended August 31</b>	<b>Tax Rates</b>		<b>Assessed/ Appraised Value for School Tax Purposes</b>	<b>Beginning Balance 8/31/2017</b>	<b>Current Year's Total Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustment</b>	<b>Ending Balance 8/31/2018</b>
	<b>Maintenance</b>	<b>Debt Service</b>							
2009 and earlier	Various	Various	Various	\$ 819,972	-	(12,798)	(1,312)	(2,759)	803,103
2010	1.0400	0.2759	6,423,065,312	102,779	-	(4,748)	(260)	-	97,771
2011	1.0400	0.2759	6,256,632,353	121,353	-	(6,038)	(1,067)	(260)	113,988
2012	1.0400	0.2759	6,408,739,302	174,199	-	(6,180)	(1,639)	(5,588)	160,792
2013	1.0400	0.3675	6,608,815,301	202,296	-	(30,428)	(10,752)	5,959	167,075
2014	1.0400	0.3675	7,115,224,770	214,530	-	(32,732)	(11,566)	25,939	196,171
2015	1.0400	0.3675	7,911,588,785	238,988	-	(27,302)	(9,648)	10,573	212,611
2016	1.0400	0.3675	8,957,914,229	303,376	-	8,303	2,934	(80,730)	233,883
2017	1.0400	0.3675	9,984,903,074	864,029	-	(83,009)	(29,332)	(406,565)	345,123
2018	1.0600	0.3475	10,969,867,472	-	149,550,950	(110,844,698)	(36,338,238)	(1,306,863)	1,061,151
Totals				<u>\$ 3,041,522</u>	<u>149,550,950</u>	<u>(111,039,630)</u>	<u>(36,400,880)</u>	<u>(1,760,294)</u>	<u>3,391,668</u>

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**  
**Exhibit L-1 - Required Responses to Selected**  
**School First Indicators**  
**August 31, 2018**

Data Control Codes	Description	Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government 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	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 13,282,490
SF13	Pension Expense (6147) at fiscal year-end.	\$ -
SF14	Net OPEB Liabilities (2545) at fiscal year-end.	\$ 24,002,534

**FEDERAL AWARDS SECTION**



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

**INDEPENDENT AUDITORS' 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***

The Board of Trustees of  
Lake Travis Independent School District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lake Travis Independent School District (the "District"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2018.

**Internal Control Over Financial Reporting**

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

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Maxwell Locke + Ritter LLP*

Austin, Texas  
November 7, 2018



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

www.mlpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Trustees of  
Lake Travis Independent School District:

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

We have audited Lake Travis Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended August 31, 2018. The District's major federal program is identified in the summary of auditors' 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.

### **Auditors' Responsibility**

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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

### **Opinion on the Major Federal Program**

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

### **Report on Internal Control Over Compliance**

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

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

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

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

*Maxwell Locke + Ritter LLP*

Austin, Texas  
November 7, 2018

# LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED AUGUST 31, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency:</u>			
Title I Grants to Local Educational Agencies	84.010A	18610101227913	\$ 435,794
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	18694501227913	113,141
English Language Acquisition State Grants	84.365A	18671001227913	56,721
Student Support and Academic Enrichment Program	84.424A	18680101227913	12,271
Grants for State Assessments and Related Activities	84.369A	S369A160045	5,936
Special Education Cluster:			
Special Education Grants to States (IDEA - Part B, Formula)	84.027A	186600012279136000	1,227,130
Special Education Grants to States (IDEA - Part B, High Cost Risk Pool)	84.027A	18660006227913	64,294
Total CFDA Number 84.027A			1,291,424
Special Education Preschool Grants (IDEA - Part B, Preschool)	84.173A	186610012279136610	1,564
Total Special Education Cluster			1,292,988
Career and Technical Education - Basic Grants to States	84.048A	18420006227913	42,241
Total Passed Through Texas Education Agency			1,959,092
TOTAL DEPARTMENT OF EDUCATION			1,959,092
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
<u>Passed Through Texas Education Agency:</u>			
National School Lunch Program	10.555	71301701	372,695
School Breakfast Program	10.553	71401701	55,431
Total Passed Through Texas Education Agency			428,126
<u>Passed Through the Texas Department of Human Services-</u>			
Non-cash Assistance - Food Distribution Program	10.555	3001701	60,035
Total Child Nutrition Cluster			488,161
TOTAL DEPARTMENT OF AGRICULTURE			488,161
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,447,253

The accompanying notes are an integral part of this schedule.

# LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED AUGUST 31, 2018

---

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lake Travis Independent School District (the "District") under programs of the federal government for the year ended August 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, change in net position, or cash flows of the District.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The expenditures reported on the Schedule are reported using the modified accrual basis of accounting, with the exception of the National School Lunch Program, School Breakfast Program and the Food Distribution Program. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable. Expenditures in the National School Lunch Program, School Breakfast Program and the Food Distribution Program are not specifically attributable to this revenue source and are shown on the Schedule in an amount equal to revenue for balancing purposes only. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

The District has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Relationship to Basic Financial Statements**

Expenditures of federal awards are reported in the District's basic financial statements in the special revenue funds.

#### **Relationship to Federal Financial Reports**

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports in all significant respects.

#### **Valuation of Non-cash Programs**

The District values revenues and expenditures for the Food Distribution Program based on the value of commodities received.

**LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2018**

---

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**FEDERAL AWARDS**

Internal control over the major federal program:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditors' report issued on compliance for major federal program-

Special Education Cluster Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

Identification of the major federal program-

CFDA Number(s)	Name of Federal Program or Cluster
	Special Education Cluster:
84.027A	Special Education - Grants to States (IDEA - Part B, Formula)
84.027A	Special Education - Grants to States (IDEA - Part B, High Cost Risk Pool)
84.173A	Special Education - Preschool Grants (IDEA - Part B, Preschool)

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

Auditee qualified as low-risk auditee?  yes  no

# **LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED AUGUST 31, 2018**

---

### **SECTION II - FINANCIAL STATEMENT FINDINGS**

There were no findings required to be reported in accordance with *Government Auditing Standards* for the years ended August 31, 2018 and August 31, 2017.

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings or questioned costs required to be reported in accordance with 2 CFR 200.516(a) for the years ended August 31, 2018 and August 31, 2017.