

**LAKE TRAVIS INDEPENDENT
SCHOOL DISTRICT**

**Annual Financial Report
for the Fiscal Year Ended
August 31, 2019**



LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT

Annual Financial Report Year Ended August 31, 2019 Table of Contents

	<u>Page</u>
CERTIFICATE OF BOARD	1
FINANCIAL SECTION	
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	25-53
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability	54
Schedule of District Contributions - Pensions	55
Schedule of the District's Proportionate Share of the Net OPEB Liability	56
Schedule of District Contributions - OPEB	57
Note to Required Supplementary Information	58
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Special Revenue Governmental Funds	59-61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Governmental Funds	62-64
Combining Statement of Net Position - Business-type Activities - Nonmajor Enterprise Funds	65
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Business-type Activities - Nonmajor Enterprise Funds	66
Combining Statement of Cash Flows - Business-type Activities - Nonmajor Enterprise Funds	67

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT

Annual Financial Report Year Ended August 31, 2019 Table of Contents

	<u>Page</u>
FINANCIAL SECTION (continued)	
Combining and Individual Fund Statements and Schedules (continued):	
Combining Statement of Net Position - Governmental Activities - Nonmajor Internal Service Funds	68
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Governmental Activities - Nonmajor Internal Service Funds	69
Combining Statement of Cash Flows - Nonmajor Internal Service Funds	70
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund	71
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Food and Nutrition Services Fund	72
Other Schedules:	
Schedule of Delinquent Taxes Receivable	73
Exhibit L-1 - Required Responses to Selected School First Indicators	74
FEDERAL AWARDS SECTION	
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>	75-76
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	77-78
Schedule of Expenditures of Federal Awards	79
Notes to the Schedule of Expenditures of Federal Awards	80
Schedule of Findings and Questioned Costs	81-82

CERTIFICATE OF BOARD

Lake Travis Independent School District Travis 227913
Name of School District County 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, 2019 at a meeting of the Board of Trustees of such school district on the 20th day of November, 2019.

Lauren White
Signature of Board Secretary

[Signature]
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



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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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.

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, 2019, 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.

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, 54, 55, 56, 57, and 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 13, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maxwell Locke + Ritter LLP

Austin, Texas
November 13, 2019

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, 2019. 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 \$69.5 million. Of this amount, \$1.6 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 \$161.9 million. Approximately 24 percent of this total amount, \$39.1 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 \$39.1 million, or 29 percent of the total General Fund expenditures (48 percent after factoring out recapture costs).
- In February 2019, the District made an early payment of \$3,525,000 on its Series 2018B bonds. By paying this debt prior to its maturity, the District saved \$5,624,801 of interest costs.

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, 2019, the District's assets and deferred outflows exceed its liabilities and deferred inflows by \$69.5 million compared to prior year net position of \$59.7 million. This increase was caused primarily from additional property tax revenues from increased property values.

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

	Governmental Activities 8/31/2019	Governmental Activities 8/31/2018	Business-type Activities 8/31/2019	Business-type Activities 8/31/2018	Total 8/31/2019	Total 8/31/2018
Assets:						
Current and other assets	\$ 183,850	\$ 161,334	\$ 2,277	\$ 2,012	\$ 186,127	\$ 163,346
Capital assets	388,201	324,661	314	337	388,515	324,998
Total assets	572,051	485,995	2,591	2,349	574,642	488,344
Deferred outflows:						
Deferred charges on bond refundings	12,279	13,013	-	-	12,279	13,013
Pension contributions after measurement date	1,574	1,434	-	-	1,574	1,434
Deferred outflows related to pension liability	11,151	3,800	-	-	11,151	3,800
OPEB contributions after measurement date	441	413	-	-	441	413
Deferred outflows related to OPEB liability	4,646	4	-	-	4,646	4
Total deferred outflows	30,091	18,664	-	-	30,091	18,664
Liabilities:						
Current and other liabilities	44,279	41,499	-	6	44,279	41,505
Long-term liabilities	480,221	393,701	-	-	480,221	393,701
Total liabilities	524,500	435,200	-	6	524,500	435,206
Deferred inflows:						
Deferred inflows related to pension liability	1,284	2,032	-	-	1,284	2,032
Deferred inflows related to OPEB liability	9,451	10,040	-	-	9,451	10,040
Total deferred inflows	10,735	12,072	-	-	10,735	12,072
Net position:						
Net investment in capital assets	61,293	57,575	314	337	61,607	57,912
Restricted	6,340	5,628	-	-	6,340	5,628
Unrestricted	(726)	(5,816)	2,277	2,006	1,551	(3,810)
Total net position	\$ 66,907	\$ 57,387	\$ 2,591	\$ 2,343	\$ 69,498	\$ 59,730

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 \$61.6 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 (\$6.3 million or approximately 9.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$1.6 million.

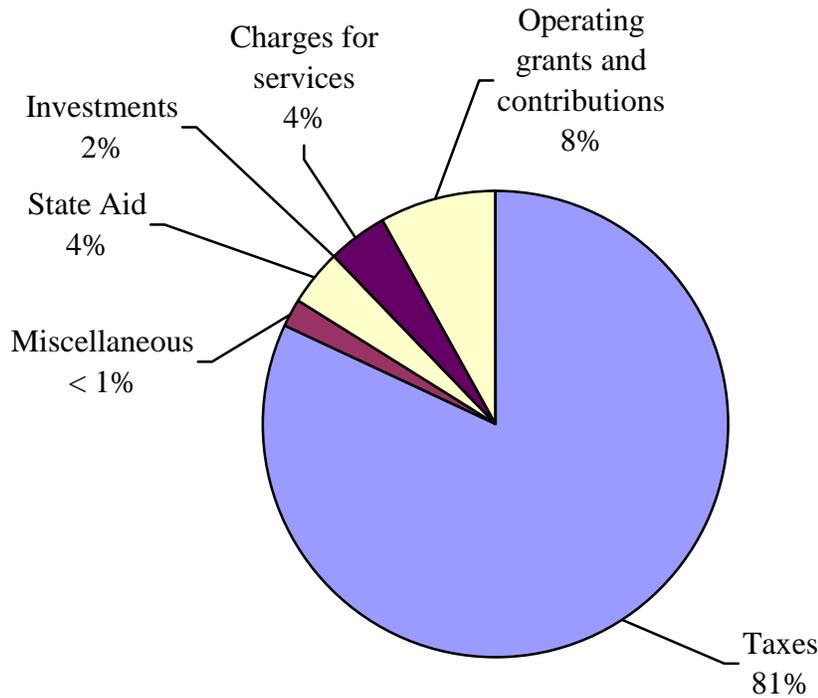
Changes in net position - As described at Table 2, the District's total net position increased by \$9.8 million. The total cost of all government-wide activities this year was \$190.7 million. The amount that our taxpayers paid for these activities through property taxes was \$164.7 million or 85 percent, a 12 percent decrease from the previous year.

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

	Governmental Activities Year Ended 8/31/2019	Governmental Activities Year Ended 8/31/2018	Business-type Activities Year Ended 8/31/2019	Business-type Activities Year Ended 8/31/2018	Total Year Ended 8/31/2019	Total Year Ended 8/31/2018
Revenues:						
Program revenues:						
Charges for services	\$ 5,901	\$ 5,768	\$ 2,802	\$ 2,778	\$ 8,703	\$ 8,549
Operating grants and contributions	15,241	22,495	-	-	15,241	22,495
General revenues:						
Property taxes	164,667	148,430	-	-	164,667	148,430
State aid-formula grants	7,630	4,800	-	-	7,630	4,800
Other	6,824	2,324	-	-	6,824	2,324
Total revenues	200,263	183,817	2,802	2,778	203,065	186,595
Expenses:						
Governmental activities:						
Instruction	63,501	58,018	-	-	63,501	58,018
Instructional resources and media services	998	935	-	-	998	935
Student support services	26,867	24,601	-	-	26,867	24,601
General administration	4,319	3,672	-	-	4,319	3,672
Support services	13,984	13,249	-	-	13,984	13,249
Community services	458	997	-	-	458	997
Interest on long-term debt and other debt services	15,453	2,495	-	-	15,453	2,495
Facilities acquisition and construction	13,783	5,300	-	-	13,783	5,300
Contracted instructional services between schools	50,554	43,528	-	-	50,554	43,528
Other	826	740	-	-	826	740
Business-type activities:						
Community education	-	-	2,469	2,432	2,469	2,432
Video display board	-	-	85	22	85	22
Total expenses	190,743	153,535	2,554	2,454	193,297	155,989
Change in net position	9,520	30,282	248	324	9,768	30,606
Beginning net position	57,387	27,105	2,343	2,019	59,730	29,124
Ending net position	\$ 66,907	\$ 57,387	\$ 2,591	\$ 2,343	\$ 69,498	\$ 59,730

The District's total revenues were \$203.1 million. A significant portion, 81 percent, of the District's revenue comes from taxes (See Figure 1); 4 percent comes from state aid - formula grants, 4 percent relates to charges for services, 2 percent comes from investment earnings, and 8 percent comes from operating grants and contributions.

Figure 1
Sources of Revenue for
the Year Ended August 31, 2019



The District is considered wealthy under Chapter 41 of the Texas Education Code because its wealth level per student of \$941,502 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 \$50.5 million compared to \$43.5 million in the prior year. This equates to 40.8 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 \$16.5 million (8 percent) due primarily to an increase in taxes collected which was due to an increase of 11.6 percent in property values.

In February 2019, the District sold \$92.7 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 \$88.9 million this fiscal year compared to \$54.6 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 \$161.9 million. Of this amount \$39.1 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 \$5.5 million. This is more than the prior year's increase of \$2.6 million.

The Debt Service Fund has a total fund balance of \$6.7 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 \$197,000. This increase was from Additional State Aid for Homestead Exemption (ASAHE) for facilities.

The District's Capital Project Fund had a total fund balance of \$111.8 million, which increased by \$14.8 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/expenditures:

- \$1,110,457 increase in Recapture due to lower-than-expected growth.
- \$1,280,000 increase in appropriations due to the recognition of a one-time pay supplement
- \$150,000 increase in Athletics due to above District travel
- \$200,000 decrease in Current Year Taxes due to lower tax collections.
- \$400,000 increase in Other Local Revenues due to higher interest income.
- \$1,980,000 increase in State Program Revenues due to State Comptroller's property value audits.
- \$694,668 decrease in State Program Revenues due to lower-than-expected growth.
- \$400,000 increase in Federal Revenue due to additional SHARS payment.
- \$500,000 decrease in Plant & Maintenance due to savings in utilities.
- \$655,125 decrease in Instruction due to savings in the District's forecast system.

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, 2019 amounts to \$388.2 million and \$314,000, respectively, (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, and vehicles.

	District's Capital Assets (Net of Depreciation) (in thousands)	
	2019	2018
Land	\$ 28,418	\$ 28,418
Construction in progress	106,979	44,229
Buildings and improvements	240,483	240,386
Furniture and equipment	5,547	4,193
Vehicles	7,089	7,772
Total capital assets (net of accumulated depreciation)	<u>\$ 388,516</u>	<u>\$ 324,998</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, 2019, the District had total outstanding long-term debt of \$406.3 million, an increase of \$67.9 million from the prior year. Payments on bond principal for 2018-2019 totaled \$24.8 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 (2019) and by Fitch Rating Services (2019).

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 7.35% of the District's overall tax base. For the 2018 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	2.14%
2. IVT Shops at Galleria	1.03%
3. Madrone Acquisition, LP	0.80%
4. FHF I Oaks at Lakeway, LLC	0.69%
5. Western RIM Investors 2013-14, LP	0.56%
6. Lakeway Realty, LLC	0.54%
7. Bee Cave Owner, LLC	0.45%
8. Avanti Hills, LLC	0.42%
9. WSH 71 TX Partners, LLC	0.39%
10. CSHV HGC Office, LLC	0.33%

The District set its operating tax rate at \$1.06 and its debt service tax rate at \$0.3475 for the 2018-2019 school year, and the Board has set its operating tax rate at \$0.99 and its debt service rate at \$0.3475 for the 2019-2020 school year.

Due to growth in students the 2019-2020 budget includes the following:

- The August 2019 unemployment rate for Travis County is 2.7 percent while the state unemployment rate is 3.4 percent.
- The District's student attendance rate remained stable at 95.3 percent for the 2018-2019 school year, which is within the typical annual range.
- The District has experienced an enrollment increase of 3.0 percent; this is down slightly from the previous year, and reflects an overall increase in growth of 29.5 percent over the past five years.
- The District's taxable valuation has increased by 6.34 percent for the 2019-2020 school year. This is down slightly from an increase of 11.59 percent last year.
- The District has appropriated General Fund revenues and expenditures in the 2019-2020 budget of \$132.0 million and \$130.8 million, respectively. Significant changes to the budget include the cost to educate approximately 395 new students (\$3.1 million), the decrease cost of recapture due to HB 3 (\$10.6 million), the increase operating cost to open Bee Cave Middle School (\$2.3 million) and the 3.0-5.3 percent staff salary increase (\$2.9 million).
- In 2019, under the 86th Legislative session, Congress passed House Bill 3 (HB 3). Under HB 3, the State provided approximately \$11.6 billion in new funding for education and tax reduction (\$5.0 billion for tax relief, \$4.6 billion for education and \$2.0 billion for teacher raises). The District will recognize approximately \$8.3 million in additional funding above 2019-2020 old law estimates. The Basic Allotment has been adjusted from \$5,140 to \$6,160. The State has gone from prior year property values to current year values. The 50% Local Optional Homestead Exemption Credit has been eliminated. The M&O Tax Rate has been compressed from \$1.06 to \$0.99. A Fast Growth Allotment, a school safety Allotment, an Early Childhood Allotment, a Dyslexia Allotment and a College Career and Military Readiness (CCMR) Bonus has been added.

On the Interest and Sinking (I & S) Fund, increased property values throughout the District will allow the District to redeem an additional \$6.1 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 \$9.4 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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 20,015,472	2,276,789	22,292,261
Temporary investments	159,788,268	-	159,788,268
Receivables:			
Property taxes - delinquent	3,663,424	-	3,663,424
Allowance for uncollectible taxes	(1,292,705)	-	(1,292,705)
Due from other governments	764,431	-	764,431
Other receivables	5,026	-	5,026
Inventory	411,321	-	411,321
Prepaid items	495,621	8	495,629
Capital assets (net of accumulated depreciation):			
Land	28,417,557	-	28,417,557
Construction in progress	106,978,514	-	106,978,514
Buildings and improvements	240,168,767	314,307	240,483,074
Furniture and equipment	5,547,276	-	5,547,276
Vehicles	7,088,601	-	7,088,601
Total assets	572,051,573	2,591,104	574,642,677
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on bond refundings	12,279,335	-	12,279,335
Pension contributions after measurement date	1,574,129	-	1,574,129
Deferred outflows related to pension liability	11,151,324	-	11,151,324
OPEB contributions after measurement date	441,279	-	441,279
Deferred outflows related to OPEB liability	4,645,700	-	4,645,700
Total deferred outflows of resources	30,091,767	-	30,091,767
LIABILITIES			
Current liabilities:			
Accounts payable	5,651,111	-	5,651,111
Accrued expenditures	4,788,673	-	4,788,673
Accrued wages payable	4,947,324	-	4,947,324
Due to other governments	276,915	-	276,915
Unearned revenue	1,322,855	-	1,322,855
Bond interest payable	2,717,777	-	2,717,777
Bonds payable	24,575,000	-	24,575,000
Noncurrent liabilities:			
Bonds payable	426,449,111	-	426,449,111
Compensated absences	446,282	-	446,282
Net pension liability	23,438,267	-	23,438,267
Net OPEB liability	29,887,166	-	29,887,166
Total liabilities	524,500,481	-	524,500,481
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	1,284,459	-	1,284,459
Deferred inflows related to OPEB liability	9,451,042	-	9,451,042
Total deferred inflows of resources	10,735,501	-	10,735,501
NET POSITION			
Net investment in capital assets	61,292,711	314,307	61,607,018
Restricted for:			
Debt service	4,576,064	-	4,576,064
Food service	1,764,438	-	1,764,438
Unrestricted	(725,855)	2,276,797	1,550,942
Total net position	\$ 66,907,358	2,591,104	69,498,462

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, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction	\$ 63,501,446	87,280	10,536,319	(52,877,847)	-	(52,877,847)
Instructional resources and media services	998,024	-	74,917	(923,107)	-	(923,107)
Curriculum and staff development	921,100	-	226,776	(694,324)	-	(694,324)
Instructional leadership	1,569,875	-	124,459	(1,445,416)	-	(1,445,416)
School leadership	4,489,989	-	356,304	(4,133,685)	-	(4,133,685)
Guidance, counseling, and evaluation services	4,047,947	181,259	643,173	(3,223,515)	-	(3,223,515)
Social work services	6,350	-	548	(5,802)	-	(5,802)
Health services	832,117	-	66,303	(765,814)	-	(765,814)
Student transportation	5,660,429	-	378,202	(5,282,227)	-	(5,282,227)
Food services	5,191,318	4,673,571	569,533	51,786	-	51,786
Extracurricular activities	4,148,213	455,000	1,230,716	(2,462,497)	-	(2,462,497)
General administration	4,318,706	-	269,585	(4,049,121)	-	(4,049,121)
Facilities maintenance and operations	10,325,365	503,970	296,158	(9,525,237)	-	(9,525,237)
Security and monitoring services	474,561	-	14,690	(459,871)	-	(459,871)
Data processing services	3,184,397	-	119,416	(3,064,981)	-	(3,064,981)
Community services	457,610	-	33,146	(424,464)	-	(424,464)
Interest on long-term debt	14,587,643	-	231,927	(14,355,716)	-	(14,355,716)
Other debt service	865,575	-	-	(865,575)	-	(865,575)
Facilities acquisition and construction	13,783,437	-	1,895	(13,781,542)	-	(13,781,542)
Contracted instructional services between schools	50,553,447	-	-	(50,553,447)	-	(50,553,447)
Incremental costs related to Chapter 41	296,453	-	-	(296,453)	-	(296,453)
Payments related to shared services arrangements	92,044	-	66,536	(25,508)	-	(25,508)
Other intergovernmental charges	437,245	-	-	(437,245)	-	(437,245)
Total governmental activities	\$ 190,743,291	5,901,080	15,240,603	(169,601,608)	-	(169,601,608)
Business-type activities:						
Community education	\$ 2,469,036	2,705,118	-	-	236,082	236,082
Video display board	84,701	96,625	-	-	11,924	11,924
Total business-type activities	\$ 2,553,737	2,801,743	-	-	248,006	248,006
Total primary government	\$ 193,297,028	8,702,823	15,240,603	(169,601,608)	248,006	(169,353,602)
General revenues:						
Property taxes, levied for general purposes				\$ 124,011,372	-	124,011,372
Property taxes, levied for debt service				40,656,263	-	40,656,263
State aid-formula grants				7,629,966	-	7,629,966
Investment earnings				4,888,665	-	4,888,665
Miscellaneous revenue				1,935,435	-	1,935,435
Total general revenues				179,121,701	-	179,121,701
Change in net position				9,520,093	248,006	9,768,099
Net position - beginning				57,387,265	2,343,098	59,730,363
Net position - ending				\$ 66,907,358	2,591,104	69,498,462

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

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
August 31, 2019

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,998,775	892,678	5,456,877	3,575,143	16,923,473
Temporary investments	37,874,252	5,806,033	115,995,541	-	159,675,826
Receivables:					
Property taxes - delinquent	2,772,502	890,922	-	-	3,663,424
Allowance for uncollectible taxes	(996,913)	(295,792)	-	-	(1,292,705)
Due from other governments	483,524	-	-	280,907	764,431
Due from other funds	335,618	-	-	-	335,618
Other receivables	995	-	-	4,031	5,026
Inventory	37,193	-	-	374,128	411,321
Prepaid items	495,621	-	-	-	495,621
Total assets	<u>\$ 48,001,567</u>	<u>7,293,841</u>	<u>121,452,418</u>	<u>4,234,209</u>	<u>180,982,035</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 141,638	-	4,826,973	48,259	5,016,870
Accrued expenditures	-	-	4,788,673	-	4,788,673
Accrued wages payable	4,724,980	-	-	222,344	4,947,324
Due to other governments	276,915	-	-	-	276,915
Due to other funds	855,000	-	-	335,618	1,190,618
Unearned revenue	161,392	-	-	374,118	535,510
Total liabilities	<u>6,159,925</u>	<u>-</u>	<u>9,615,646</u>	<u>980,339</u>	<u>16,755,910</u>
Deferred inflows of resources-					
Deferred revenue - property taxes	1,775,589	595,130	-	-	2,370,719
Fund balances:					
Nonspendable:					
Inventory	37,193	-	-	-	37,193
Prepaid items	495,621	-	-	-	495,621
Restricted for:					
Debt service	-	6,698,711	-	-	6,698,711
Authorized construction	-	-	111,836,772	-	111,836,772
Food service	-	-	-	1,764,438	1,764,438
Committed to:					
Compensated absences	446,282	-	-	-	446,282
Campus activities	-	-	-	1,071,383	1,071,383
Assigned to-					
Locally funded campus programs	-	-	-	418,049	418,049
Unassigned	39,086,957	-	-	-	39,086,957
Total fund balances	<u>40,066,053</u>	<u>6,698,711</u>	<u>111,836,772</u>	<u>3,253,870</u>	<u>161,855,406</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 48,001,567</u>	<u>7,293,841</u>	<u>121,452,418</u>	<u>4,234,209</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.	388,200,715
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,370,719
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.	2,637,855
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	(451,024,111)
Less: Deferred charges on bond refundings	12,279,335
Bond interest payable	(2,717,777)
Compensated absences	(446,282)
Net pension liability	(23,438,267)
Net OPEB liability	(29,887,166)
Pension contributions after measurement date	1,574,129
OPEB contributions after measurement date	441,279
Deferred outflows related to pension liability	11,151,324
Deferred outflows related to OPEB liability	4,645,700
Deferred inflows related to pension liability	(1,284,459)
Deferred inflows related to OPEB liability	(9,451,042)
Net position of governmental activities	<u>\$ 66,907,358</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, 2019

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local and intermediate sources	\$ 126,745,558	40,833,221	2,911,824	7,827,948	178,318,551
State program revenues	10,506,865	231,927	-	1,831,943	12,570,735
Federal program revenues	966,294	-	-	2,905,509	3,871,803
Total revenues	<u>138,218,717</u>	<u>41,065,148</u>	<u>2,911,824</u>	<u>12,565,400</u>	<u>194,761,089</u>
EXPENDITURES					
Current:					
Instruction	47,920,147	-	-	5,149,042	53,069,189
Instructional resources and media services	865,514	-	-	-	865,514
Curriculum and staff development	695,667	-	-	175,045	870,712
Instructional leadership	1,430,088	-	-	-	1,430,088
School leadership	3,870,927	-	-	-	3,870,927
Guidance, counseling and evaluation services	3,077,989	-	-	567,642	3,645,631
Social work services	5,817	-	-	-	5,817
Health services	721,388	-	-	-	721,388
Student transportation	4,211,418	-	-	35,535	4,246,953
Food services	71,515	-	-	4,842,650	4,914,165
Extracurricular activities	2,318,033	-	-	1,049,470	3,367,503
General administration	4,020,357	-	-	-	4,020,357
Facilities maintenance and operations	9,020,768	-	-	-	9,020,768
Security and monitoring services	460,253	-	-	-	460,253
Data processing services	2,355,355	-	-	-	2,355,355
Community services	385,761	-	-	1,746	387,507
Debt service:					
Principal on long-term debt	-	24,765,000	-	-	24,765,000
Interest on long-term debt	-	16,016,161	-	-	16,016,161
Other debt service expenditures	-	91,879	773,696	-	865,575
Facilities acquisition and construction	20,118	-	88,089,939	-	88,110,057
Intergovernmental:					
Contracted instructional services between schools	50,553,447	-	-	-	50,553,447
Incremental costs related to Chapter 41	296,453	-	-	-	296,453
Payments related to shared services arrangements	25,508	-	-	66,536	92,044
Other intergovernmental charges	437,245	-	-	-	437,245
Total expenditures	<u>132,763,768</u>	<u>40,873,040</u>	<u>88,863,635</u>	<u>11,887,666</u>	<u>274,388,109</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,454,949</u>	<u>192,108</u>	<u>(85,951,811)</u>	<u>677,734</u>	<u>(79,627,020)</u>
OTHER FINANCING SOURCES					
Issuance of bonds	-	4,889	92,700,111	-	92,705,000
Premium on sale of bonds	-	-	8,073,585	-	8,073,585
Total other financing sources	<u>-</u>	<u>4,889</u>	<u>100,773,696</u>	<u>-</u>	<u>100,778,585</u>
Net change in fund balances	5,454,949	196,997	14,821,885	677,734	21,151,565
Fund balances, beginning	<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>
Fund balances, ending	<u>\$ 40,066,053</u>	<u>6,698,711</u>	<u>111,836,772</u>	<u>3,253,870</u>	<u>161,855,406</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, 2019

Net change in fund balances - total governmental funds	\$	21,151,565
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		74,328,466
Depreciation expense		(10,788,696)
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		162,109
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		(100,778,585)
Repayment of bond principal		24,765,000
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		59,329
Amortization of deferred charges on bond refundings		(733,187)
Amortization of bond premiums		2,102,376
Change in compensated absences		96,367
Pension contributions made during the measurement year		1,434,486
Change in pension contributions made after the measurement date		139,647
Proportionate share of collective pension expense		(11,590,263)
Adjustment for ending deferred inflows and outflows related to net pension liability		8,098,753
OPEB contributions made during the measurement year		412,737
Change in OPEB contributions made after the measurement date		28,353
Proportionate share of collective OPEB expense		(6,297,369)
Adjustment for ending deferred inflows and outflows related to net OPEB liability		5,231,208
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.		
		1,697,797
Change in net position of governmental activities	\$	9,520,093

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local and intermediate sources	\$ 126,373,503	126,573,503	126,745,558	172,055
State program revenues	8,931,903	10,217,235	10,506,865	289,630
Federal program revenues	450,000	850,000	966,294	116,294
Total revenues	<u>135,755,406</u>	<u>137,640,738</u>	<u>138,218,717</u>	<u>577,979</u>
EXPENDITURES				
Current:				
Instruction	47,973,223	48,318,098	47,920,147	397,951
Instructional resources and media services	848,744	868,744	865,514	3,230
Curriculum and staff development	802,815	802,815	695,667	107,148
Instructional leadership	1,418,274	1,443,274	1,430,088	13,186
School leadership	3,836,173	3,886,173	3,870,927	15,246
Guidance, counseling and evaluation services	3,079,927	3,079,927	3,077,989	1,938
Social work services	-	20,000	5,817	14,183
Health services	717,251	727,251	721,388	5,863
Student transportation	4,221,485	4,221,485	4,211,418	10,067
Food services	75,000	90,000	71,515	18,485
Extracurricular activities	2,241,572	2,391,572	2,318,033	73,539
General administration	4,089,542	4,139,542	4,020,357	119,185
Facilities maintenance and operations	9,677,175	9,177,175	9,020,768	156,407
Security and monitoring services	485,890	485,890	460,253	25,637
Data processing services	2,542,294	2,592,294	2,355,355	236,939
Community services	388,051	413,051	385,761	27,290
Facilities acquisition and construction	20,000	35,000	20,118	14,882
Intergovernmental:				
Contracted instructional services between schools	50,452,990	51,563,447	50,553,447	1,010,000
Incremental costs related to Chapter 41	355,000	355,000	296,453	58,547
Payments related to shared services arrangements	30,000	30,000	25,508	4,492
Payments related to juvenile justice alternative education programs	15,000	15,000	-	15,000
Other intergovernmental charges	485,000	485,000	437,245	47,755
Total expenditures	<u>133,755,406</u>	<u>135,140,738</u>	<u>132,763,768</u>	<u>2,376,970</u>
Excess of revenues over expenditures	<u>2,000,000</u>	<u>2,500,000</u>	<u>5,454,949</u>	<u>2,954,949</u>
Fund balance, beginning	<u>34,611,104</u>	<u>34,611,104</u>	<u>34,611,104</u>	<u>-</u>
Fund balance, ending	<u>\$ 36,611,104</u>	<u>37,111,104</u>	<u>40,066,053</u>	<u>2,954,949</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, 2019

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Nonmajor Internal Service Funds	Total Proprietary Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,276,789	\$ 3,091,999	\$ 5,368,788
Temporary investments	-	112,442	112,442
Prepaid items	8	-	8
Due from other funds	-	855,000	855,000
Total current assets	<u>2,276,797</u>	<u>4,059,441</u>	<u>6,336,238</u>
Noncurrent assets-			
Capital assets:			
Buildings and improvements	449,008	-	449,008
Accumulated depreciation	(134,701)	-	(134,701)
Total noncurrent assets	<u>314,307</u>	<u>-</u>	<u>314,307</u>
Total assets	<u>2,591,104</u>	<u>4,059,441</u>	<u>6,650,545</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	634,241	634,241
Deferred revenue	-	787,345	787,345
Total liabilities	<u>-</u>	<u>1,421,586</u>	<u>1,421,586</u>
NET POSITION			
Net investment in capital assets	314,307	-	314,307
Unrestricted	<u>2,276,797</u>	<u>2,637,855</u>	<u>4,914,652</u>
Total net position	<u>\$ 2,591,104</u>	<u>\$ 2,637,855</u>	<u>\$ 5,228,959</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, 2019

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Nonmajor Internal Service Funds	Total Proprietary Funds
Operating revenues-			
Charges for services	\$ 2,801,743	\$ 12,358,352	\$ 15,160,095
Operating expenses:			
Payroll costs	2,069,450	-	2,069,450
Professional and contracted services	240,905	194,786	435,691
Supplies and materials	108,439	-	108,439
Claims	-	10,414,693	10,414,693
Other operating	112,493	67,130	179,623
Depreciation	22,450	-	22,450
Total operating expenses	2,553,737	10,676,609	13,230,346
Operating income	248,006	1,681,743	1,929,749
Nonoperating revenue-			
Investment and interest income	-	16,054	16,054
Change in net position	248,006	1,697,797	1,945,803
Total net position, beginning	2,343,098	940,058	3,283,156
Total net position, ending	\$ 2,591,104	\$ 2,637,855	\$ 5,228,959

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, 2019

	Business-type Activities- Nonmajor Enterprise Funds	Governmental Activities- Nonmajor Internal Service Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 2,801,743	\$ -	\$ 2,801,743
Receipts from contributors	-	13,145,697	13,145,697
Payments to employees	(2,069,450)	-	(2,069,450)
Payments to suppliers	(467,724)	(1,102,742)	(1,570,466)
Claims paid	-	(10,698,395)	(10,698,395)
Net cash provided by operating activities	<u>264,569</u>	<u>1,344,560</u>	<u>1,609,129</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	-	(2,537)	(2,537)
Interest received	-	16,054	16,054
Net cash provided by investing activities	<u>-</u>	<u>13,517</u>	<u>13,517</u>
Net increase in cash and cash equivalents	264,569	1,358,077	1,622,646
Cash and cash equivalents, beginning of the year	2,012,220	1,733,922	3,746,142
Cash and cash equivalents, end of the year	<u>\$ 2,276,789</u>	<u>\$ 3,091,999</u>	<u>\$ 5,368,788</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 248,006	\$ 1,681,743	\$ 1,929,749
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	22,450	-	22,450
Increase in prepaid items	(8)	-	(8)
Decrease in accrued expenses	-	(283,702)	(283,702)
Increase in unearned revenue	-	787,345	787,345
Decrease in accounts payable	(5,879)	-	(5,879)
Increase in due from other funds	-	(840,826)	(840,826)
Net cash provided by operating activities	<u>\$ 264,569</u>	<u>\$ 1,344,560</u>	<u>\$ 1,609,129</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, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 148,609
Total assets	<u>\$ 148,609</u>
LIABILITIES	
Due to student groups	\$ 148,609
Total liabilities	<u>\$ 148,609</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, 2019

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, 2019, total expenditures in the General Fund were below budgeted amounts by \$2,376,970, total expenditures in the Food and Nutrition Services Fund were below budgeted amounts by \$157,350, and total expenditures in the Debt Service Fund were below budgeted amounts by \$126,960.

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.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

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, 2019 was \$446,282 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 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 - 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.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The objective of GASB Statement No. 84 is to improve accounting and financial reporting for fiduciary activities by establishing criteria for identifying fiduciary activities, requiring that all fiduciary funds present a statement of fiduciary net position and a statement of changes in fiduciary net position, except for business-types activities that normally expect to hold custodial assets for three months or less, and providing descriptions of the four types of fiduciary funds that should be reported, if applicable. GASB Statement No. 84 also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Management is evaluating the effects that the full implementation of GASB Statement No. 84 will have on its financial statements for the year ended August 31, 2020.

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, 2019, the carrying amount of the District’s deposits was \$22,440,870 and the bank balance was \$27,656,672. The District’s deposits with financial institutions at August 31, 2019 and during the year ended August 31, 2019 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 \$78,103,945.
- c) Largest cash, savings and time deposit combined account balance amounted to \$53,678,968 and occurred during the month of December 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, 2019 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor’s Rating
Local Governmental Investment Pool:			
TexPool	\$ 114,194,713	1	AAAm
MBIA Texas CLASS	<u>25,025,335</u>	1	AAAm
	139,220,048		
Prosperity Bank-			
Money market accounts	<u>20,568,220</u>	1	N/A
	<u>\$ 159,788,268</u>		

The District had investments in two external local governmental investment pools at August 31, 2019, 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, 2019, 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, 2019, 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, 2019, 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, 2019, 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, 2018, upon which the October 2018 levy was based was \$12,241,356,541. 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, 2019, the District was required to pay \$50,553,447 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, 2019.

	General Fund	Nonmajor Governmental Funds	Total
Federal and state grants	\$ 483,524	280,907	773,515
Total due from other governments	<u>\$ 483,524</u>	<u>280,907</u>	<u>773,515</u>
State grants	\$ 273,030	-	273,030
Other	\$ 3,885	-	3,885
Total due to other governments	<u>\$ 276,915</u>	<u>-</u>	<u>276,915</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, 2019 was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 335,618
Internal Service Fund	General Fund	855,000
Total		<u>\$ 1,190,618</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2019 was as follows:

	Beginning Balance	Increases	Disposals	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 28,417,557	-	-	-	28,417,557
Construction in progress	44,229,486	71,639,135	-	(8,890,107)	106,978,514
Total capital assets, not being depreciated	72,647,043	71,639,135	-	(8,890,107)	135,396,071
Capital assets, being depreciated:					
Buildings and improvements	329,745,703	26,593	-	8,890,107	338,662,403
Furniture and equipment	16,095,129	2,381,777	-	-	18,476,906
Vehicles	12,290,026	280,961	-	-	12,570,987
Total capital assets being depreciated	358,130,858	2,689,331	-	8,890,107	369,710,296
Less accumulated depreciation for:					
Buildings and improvements	(89,696,609)	(8,797,027)	-	-	(98,493,636)
Furniture and equipment	(11,901,966)	(1,027,664)	-	-	(12,929,630)
Vehicles	(4,518,381)	(964,005)	-	-	(5,482,386)
Total accumulated depreciation	(106,116,956)	(10,788,696)	-	-	(116,905,652)
Total capital assets, being depreciated, net	252,013,902	(8,099,365)	-	-	252,804,644
Governmental activities capital assets, net	<u>\$324,660,945</u>	<u>63,539,770</u>	<u>-</u>	<u>-</u>	<u>388,200,715</u>
Business-type activities:					
Buildings and improvements	\$ 449,008	-	-	-	449,008
Accumulated depreciation	(112,251)	(22,450)	-	-	(134,701)
Business-type activities capital assets, net	<u>\$ 336,757</u>	<u>(22,450)</u>	<u>-</u>	<u>-</u>	<u>314,307</u>

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

Governmental activities:

Instruction	\$ 6,341,358
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	1,079,701
Food services	270,590
Extracurricular activities	653,113
General administration	35,760
Facilities maintenance and operations	1,108,852
Data processing services	712,725
Community services	39,516
	<u>10,788,696</u>
Total depreciation expense - governmental activities	<u>\$ 10,788,696</u>
Business-type activities-	
Video display board	<u>\$ 22,450</u>

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, 2019:

Deferred charges on bond refundings - August 31, 2018	\$ 13,012,522
Retirements from refundings	(733,187)
	<u>12,279,335</u>
Deferred charges on bond refundings - August 31, 2019	<u>\$ 12,279,335</u>

8. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended August 31, 2019:

	Beginning Balance	Additions	Retirements	Ending Balance
General obligation bonds	\$ 338,405,000	92,705,000	(24,765,000)	406,345,000
Premiums on bonds	38,707,902	8,073,585	(2,102,376)	44,679,111
Compensated absences	542,649	-	(96,367)	446,282
Total	<u>\$ 377,655,551</u>	<u>100,778,585</u>	<u>(26,963,743)</u>	<u>451,470,393</u>

Bonded debt consisted of the following at August 31, 2019:

General Obligation Bonds Series	Date of Issue	Amounts of Original Issue	Maturity Date	Interest Rate	Outstanding at 8-31-19	Due Within One Year
2012	08-15-12	143,120,000	2042	3-5%	20,135,000	3,545,000
2013	02-28-13	104,600,000	2036	1.5-5%	85,085,000	5,335,000
2017	12-21-17	82,905,000	2040	1.5-5%	81,040,000	-
2018A	04-03-18	108,735,000	2048	3-5%	96,035,000	6,665,000
2018B	04-05-18	34,870,000	2048	2.65-7%	31,345,000	6,055,000
2019	02-20-19	92,705,000	2046	3.75-5%	92,705,000	2,975,000
		<u>\$ 566,935,000</u>			<u>\$ 406,345,000</u>	<u>\$ 24,575,000</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 February 20, 2019, the District issued \$92,705,000 in Unlimited Tax School Building Bonds, Series 2019, for the designing, construction, renovation, improving, acquiring, and equipping of school facilities in the District, including the purchase of school sites and school buses, and to pay costs of issuance of the bonds. The net proceeds of \$100,004,889 (after payment of \$773,696 in underwriting fees, insurance, and other issuance costs) were used for the following: \$100,000,000 was invested by the District to fund future construction and \$4,889 was deposited in the Debt Service Fund for future interest and principal payments and bond issuance costs.

In February 2019, the District made early payments of \$3,536,643 on its Series 2018B bonds prior to its scheduled maturity date. This included \$3,525,000 and \$11,643 of principal and accrued interest, respectively. The Series 2018B bonds paid had maturity dates of February 2038 through 2048. These early payments resulted in overall debt service savings to the District of \$5,624,801.

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, 2019, outstanding bonds of \$109,285,000 are considered defeased.

The annual principal installments for each of the outstanding issues vary each year. As of August 31, 2019, the debt service requirements to maturity for general obligation bonds are as follows:

Year Ended August 31,	Governmental Activities		
	Principal	Interest	Total
2020	24,575,000	18,961,928	43,536,928
2021	22,455,000	15,911,238	38,366,238
2022	12,080,000	15,633,731	27,713,731
2023	8,910,000	15,696,975	24,606,975
2024	9,410,000	15,294,050	24,704,050
2025-2029	64,355,000	68,190,475	132,545,475
2030-2034	83,165,000	51,408,425	134,573,425
2035-2039	83,170,000	32,543,458	115,713,458
2040-2044	59,640,000	16,225,595	75,865,595
2045-2048	38,585,000	3,434,401	42,019,401
Total	<u>\$ 406,345,000</u>	<u>253,300,276</u>	<u>659,645,276</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, 2019, the District had no general obligation bonds authorized by voters of the District that had not been issued.

9. UNEARNED REVENUE

At August 31, 2019, unearned revenue in the governmental funds consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Football season tickets	\$ 161,392	-	161,392
Prepayments for student meals	-	367,860	367,860
Grant prepayments	-	6,258	6,258
Total	<u>\$ 161,392</u>	<u>374,118</u>	<u>535,510</u>

10. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2019, 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	\$123,264,983	40,406,599	-	-	163,671,582
Investment earnings	1,721,430	221,553	2,911,824	17,805	4,872,612
Penalties, interest, and other tax related income	628,875	205,069	-	-	833,944
Tuition and fees from patrons	87,280	-	-	2,194,518	2,281,798
Food service Co-curricular student activities	-	-	-	4,673,571	4,673,571
Rent	455,000	-	-	-	455,000
Gifts and donations	503,970	-	-	-	503,970
Other	-	-	-	942,054	942,054
	84,020	-	-	-	84,021
Total	\$126,745,558	40,833,221	2,911,824	7,827,948	178,318,551

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 and 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 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (“GAA”) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	2018	2019
Contribution Rates:		
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
FY 2019 District Contributions		\$ 1,574,129
FY 2019 Member Contributions		\$ 4,365,067
FY 2019 NECE On-behalf Contributions		\$ 2,114,292

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 rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

	August 31, 2017 rolled forward to August 31, 2018
Valuation Date	
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	3.00%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three-year period ending August 31, 2017 and adopted in July 2018.

Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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 arithmetic real rates of return for each major asset class included in TRS' target asset allocation as of August 31, 2018 are summarized below:

Asset Class:	Target Allocation (1)	Long-Term Expected Arithmetic Real Rate of Return (2)	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	0%	0%
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	(0.3%)	0%
Real Return			
Global Inflation-Linked Bonds	3%	0.7%	0%
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	0%	0%
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag (3)			(0.8%)
Total	100%		7.2%

(1) Target allocations are based on the FY 2016 policy model

(2) Capital market assumptions come from Aon Hewitt (2017 Q4)

(3) The volatility drag results 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 (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability	\$ 35,373,965	\$ 23,438,267	\$ 13,775,611

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

At August 31, 2019, the District reported a liability of \$23,438,267 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	\$ 23,438,267
State’s proportionate share that is associated with the District	<u>44,939,821</u>
Total	<u><u>\$ 68,378,088</u></u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 through August 31, 2018.

At August 31, 2018 the employer’s proportion of the collective net pension liability was 0.04258% which was an increase of 0.00104% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended August 31, 2019, the District recognized pension expense of \$3,491,506 and revenue of \$4,447,844 for support provided by the State.

At August 31, 2019, 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	\$ 146,095	\$ 575,083
Changes in actuarial assumptions	8,450,624	264,082
Difference between projected and actual investment earnings	-	444,724
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,554,605	570
Contributions paid to TRS subsequent to the measurement date	<u>1,574,129</u>	<u>-</u>
Total	<u>\$ 12,725,453</u>	<u>\$ 1,284,459</u>

The \$1,574,129 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, 2020. 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:	
2020	2,672,890
2021	1,736,997
2022	1,464,351
2023	1,558,213
2024	1,472,343
Thereafter	962,071

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 the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to 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 a retiree with and without Medicare coverage.

	<u>Medicare</u>	<u>Non-Medicare</u>
TRS-Care Monthly for Retirees		
January 1, 2018 through December 31, 2018:		
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

**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 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the GAA. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2018</u>	<u>2019</u>
Contribution Rates:		
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
FY 2019 District Contributions		\$ 441,279
FY 2019 Member Contributions		\$ 368,478
FY 2019 NECE On-behalf Contributions		\$ 388,657

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 \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriation to fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The 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 that was rolled forward to August 31, 2018:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation
Healthcare Trend Rates	4.50% to 107.74%
Election Rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

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

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer 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, 2018.

See Note 12 for the best estimate of geometric real rates of return for each major asset class included in the TRS target asset allocation as of August 31, 2018.

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 (3.69%) in measuring the 2018 Net OPEB Liability.

	<u>1% Decrease in Discount Rate (2.69%)</u>	<u>Discount Rate (3.69%)</u>	<u>1% Increase in Discount Rate (4.69%)</u>
District's proportionate share of the net OPEB liability	\$ 35,575,997	\$ 29,887,166	\$ 25,386,935

Healthcare Cost Trend Rates - The following schedule shows the impact of the Net OPEB Liability if the healthcare cost trend rates used were 1% less than and 1% greater than the healthcare cost trend rates that were used in measuring the 2018 Net OPEB Liability.

	<u>1% Decrease in Healthcare Cost Trend Rates (7.5%)</u>	<u>Current Healthcare Cost Trend Rates (8.5%)</u>	<u>1% Increase in Healthcare Cost Trend Rates (9.5%)</u>
District's proportionate share of the net OPEB liability	\$ 24,821,778	\$ 29,887,166	\$ 36,558,392

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

At August 31, 2019, the District reported a liability of \$29,887,166 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 29,887,166
State's proportionate share that is associated with the District	<u>46,673,009</u>
Total	<u>\$ 76,560,175</u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net OPEB liability was 0.05986% which was an increase of 0.00466% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

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

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

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, 2019, the District recognized OPEB expense of \$1,066,159 and revenue of \$1,697,684 for support provided by the State.

At August 31, 2019, 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	\$ 1,586,001	\$ 471,663
Changes in actuarial assumptions	498,736	8,979,379
Difference between projected and actual investment earnings	5,227	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,555,736	-
Contributions paid to TRS subsequent to the measurement date	441,279	-
Total	<u>\$ 5,086,979</u>	<u>\$ 9,451,042</u>

The \$441,279 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, 2020. 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:	
2020	(858,356)
2021	(858,356)
2022	(858,356)
2023	(859,345)
2024	(859,910)
Thereafter	(511,019)

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, 2019, reimbursements of \$204,089 were received by TRS and allocated to the District.

15. HEALTH CARE COVERAGE

During the year ended August 31, 2019, 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:

<u>Year Ended August 31,</u>	<u>Beginning Liability</u>	<u>Estimated Current Year Claims</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2017	\$ 330,038	11,080,368	(10,722,700)	687,706
2018	\$ 687,706	10,436,261	(10,436,261)	687,706
2019	\$ 687,706	10,055,931	(10,310,002)	433,635

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, 2019, 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
2017	\$ 239,801	54,478	(64,042)	230,237
2018	\$ 230,237	208,935	(208,935)	230,237
2019	\$ 230,237	51,686	(81,317)	200,606

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, 2019, 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, 2019, the District is also committed under construction contracts with a remaining balance of \$34,725,978.

**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
8/31/2019**

	2018*	2017*	2016*	2015*	2014*	2013*
District's proportion of the net pension liability	0.04258%	0.04154%	0.04108%	0.04251%	0.02488%	0.02490%
District's proportionate share of the net pension liability	\$ 23,438,267	\$ 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	44,939,821	26,164,741	30,795,688	29,615,675	24,848,135	30,502,132
Total	\$ 68,378,088	\$ 39,447,231	\$ 46,319,892	\$ 44,643,524	\$ 31,494,729	\$ 38,663,603
District's covered-employee payroll (for Measurement Year)	\$ 52,718,193	\$ 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	44.46%	26.46%	32.39%	32.45%	15.27%	19.61%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%	78.17%
Plan's net pension liability as a percentage of covered employee payroll	126.11%	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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,574,129	\$ 1,434,482	\$ 1,361,463	\$ 1,299,389	\$ 1,258,836
Contributions in relation to the contractual required contributions	<u>(1,574,129)</u>	<u>(1,434,482)</u>	<u>(1,361,463)</u>	<u>(1,299,389)</u>	<u>(1,258,836)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	\$ 56,691,939	\$ 52,718,193	\$ 50,203,725	\$ 47,934,351	\$ 46,310,888
Contributions as a percentage of covered payroll	2.78%	2.72%	2.71%	2.71%	2.72%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contributions	\$ 630,852	\$ 553,164	\$ 443,325	\$ 519,626	\$ 506,950
Contributions in relation to the contractual required contributions	<u>(630,852)</u>	<u>(553,164)</u>	<u>(443,325)</u>	<u>(519,626)</u>	<u>(506,950)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	\$ 43,529,437	\$ 41,623,406	\$ 39,514,453	\$ 39,456,448	\$ 38,234,505
Contributions as a percentage of covered payroll	1.45%	1.33%	1.12%	1.32%	1.33%

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net OPEB Liability
Teacher Retirement System of Texas
8/31/2019**

	2018*	2017*
District's proportion of the net OPEB liability	0.05986%	0.05520%
District's proportionate share of the net OPEB liability	\$ 29,887,166	\$ 24,002,534
State's proportionate share of the net OPEB liability associated with the District	46,673,009	40,861,087
Total	\$ 76,560,175	\$ 64,863,621
District's covered-employee payroll (for Measurement Year)	\$ 52,718,193	\$ 50,203,725
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	56.69%	47.81%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered employee payroll	146.64%	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 **

	2019*	2018*	2017*	2016*	2015*
Contractually required contributions	\$ 441,279	\$ 412,926	\$ 286,963	\$ 263,491	\$ 254,712
Contributions in relation to the contractual required contributions	(441,279)	(412,926)	(286,963)	(263,491)	(254,712)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 56,691,939	\$ 52,718,193	\$ 50,203,725	\$ 47,934,351	\$ 46,310,888
Contributions as a percentage of covered payroll	0.78%	0.78%	0.57%	0.55%	0.55%
	2014*	2013*	2012*		
Contractually required contributions	\$ 239,412	\$ 228,928	\$ 217,327		
Contributions in relation to the contractual required contributions	(239,412)	(228,928)	(217,327)		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
District's covered employee payroll	\$ 43,529,437	\$ 41,623,406	\$ 39,514,453		
Contributions as a percentage of covered payroll	0.55%	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, 2019

1. CHANGE IN ASSUMPTIONS

Pensions

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section B. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Governmental Funds
August 31, 2019

	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
ASSETS						
Cash and cash equivalents	\$ -	-	-	-	2,079,453	-
Due from other governments	330	102,051	4,639	-	31,254	-
Other receivables	-	-	-	-	4,031	-
Inventory	-	-	-	-	374,128	-
Total assets	<u>\$ 330</u>	<u>102,051</u>	<u>4,639</u>	<u>-</u>	<u>2,488,866</u>	<u>-</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	-	-	-	48,259	-
Accrued wages payable	-	-	-	-	222,344	-
Due to other funds	330	102,051	4,639	-	85,965	-
Unearned revenue	-	-	-	-	367,860	-
Total liabilities	<u>330</u>	<u>102,051</u>	<u>4,639</u>	<u>-</u>	<u>724,428</u>	<u>-</u>
Fund balances:						
Restricted	-	-	-	-	1,764,438	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,764,438</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 330</u>	<u>102,051</u>	<u>4,639</u>	<u>-</u>	<u>2,488,866</u>	<u>-</u>

(Continued)

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Governmental Funds (Continued)
August 31, 2019

	255	263	289	289	392	410	461
	Supporting Effective Instruction State Grants	English Language Acquisition State Grants	Grants for State Assessments and Related Activites	Student Support and Academic Enrichment Program	Non-Educational Community-Based Support	State Instructional Materials	Campus Activity Funds
ASSETS							
Cash and cash equivalents	\$ -	-	6,258	-	-	-	1,071,383
Due from other governments	69,134	16,480	-	-	2,145	54,874	-
Other receivables	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-
Total assets	<u>\$ 69,134</u>	<u>16,480</u>	<u>6,258</u>	<u>-</u>	<u>2,145</u>	<u>54,874</u>	<u>1,071,383</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	-	-	-	-	-	-
Accrued wages payable	-	-	-	-	-	-	-
Due to other funds	69,134	16,480	-	-	2,145	54,874	-
Unearned revenue	-	-	6,258	-	-	-	-
Total liabilities	<u>69,134</u>	<u>16,480</u>	<u>6,258</u>	<u>-</u>	<u>2,145</u>	<u>54,874</u>	<u>-</u>
Fund balances:							
Restricted	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	1,071,383
Assigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,071,383</u>
Total liabilities and fund balances	<u>\$ 69,134</u>	<u>16,480</u>	<u>6,258</u>	<u>-</u>	<u>2,145</u>	<u>54,874</u>	<u>1,071,383</u>

(Continued)

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Special Revenue Governmental Funds (Continued)
August 31, 2019

	481	486	488	489	490	498/499	Total
	AP Testing	Athletic	PTA/PTO Donations	Other State and Local	Lake Travis Ed. Foundation Mini Grants	Lake Travis Ed. Foundation Mini Grants	Special Revenue Funds
ASSETS							
Cash and cash equivalents	\$ 11,733	85,424	25,033	126,136	153,203	16,520	3,575,143
Due from other governments	-	-	-	-	-	-	280,907
Other receivables	-	-	-	-	-	-	4,031
Inventory	-	-	-	-	-	-	374,128
Total assets	<u>\$ 11,733</u>	<u>85,424</u>	<u>25,033</u>	<u>126,136</u>	<u>153,203</u>	<u>16,520</u>	<u>4,234,209</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	-	-	-	-	-	48,259
Accrued wages payable	-	-	-	-	-	-	222,344
Due to other funds	-	-	-	-	-	-	335,618
Unearned revenue	-	-	-	-	-	-	374,118
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>980,339</u>
Fund balances:							
Restricted	-	-	-	-	-	-	1,764,438
Committed	-	-	-	-	-	-	1,071,383
Assigned	11,733	85,424	25,033	126,136	153,203	16,520	418,049
Total fund balances	<u>11,733</u>	<u>85,424</u>	<u>25,033</u>	<u>126,136</u>	<u>153,203</u>	<u>16,520</u>	<u>3,253,870</u>
Total liabilities and fund balances	<u>\$ 11,733</u>	<u>85,424</u>	<u>25,033</u>	<u>126,136</u>	<u>153,203</u>	<u>16,520</u>	<u>4,234,209</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, 2019

	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
REVENUES						
Local and intermediate sources	\$ -	-	-	-	4,691,376	-
State program revenues	-	-	-	-	8,846	-
Federal program revenues	446,717	1,411,382	15,653	255,006	553,948	50,774
Total revenues	<u>446,717</u>	<u>1,411,382</u>	<u>15,653</u>	<u>255,006</u>	<u>5,254,170</u>	<u>50,774</u>
EXPENDITURES						
Current:						
Instruction	446,717	886,805	8,153	255,006	-	41,601
Curriculum and staff development	-	37,518	7,500	-	-	9,173
Guidance, counseling and evaluation services	-	384,988	-	-	-	-
Student transportation	-	35,535	-	-	-	-
Food services	-	-	-	-	4,842,650	-
Extracurricular activities	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Payments related to shared services arrangements	-	66,536	-	-	-	-
Total expenditures	<u>446,717</u>	<u>1,411,382</u>	<u>15,653</u>	<u>255,006</u>	<u>4,842,650</u>	<u>50,774</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	411,520	-
Net change in fund balances	-	-	-	-	411,520	-
Fund balances, beginning	-	-	-	-	1,352,918	-
Fund balances, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,764,438</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, 2019

	255	263	289	289	392	410	461
	Supporting Effective Instruction State Grants	English Language Acquisition State Grants	Grants for State Assessments and Related Activities	Student Support and Academic Enrichment Program	Non-Educational Community-Based Support	State Instructional Materials	Campus Activity Funds
REVENUES							
Local and intermediate sources	\$ -	-	-	-	-	-	2,013,259
State program revenues	-	-	-	-	2,160	1,820,937	-
Federal program revenues	85,951	55,270	-	30,808	-	-	-
Total revenues	<u>85,951</u>	<u>55,270</u>	<u>-</u>	<u>30,808</u>	<u>2,160</u>	<u>1,820,937</u>	<u>2,013,259</u>
EXPENDITURES							
Current:							
Instruction	-	20,367	-	30,808	2,160	1,820,937	1,448,401
Curriculum and staff development	85,951	34,903	-	-	-	-	-
Guidance, counseling and evaluation services	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-
Food services	-	-	-	-	-	-	-
Extracurricular activities	-	-	-	-	-	-	504,306
Community services	-	-	-	-	-	-	-
Payments related to shared service arrangements	-	-	-	-	-	-	-
Total expenditures	<u>85,951</u>	<u>55,270</u>	<u>-</u>	<u>30,808</u>	<u>2,160</u>	<u>1,820,937</u>	<u>1,952,707</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-	60,552
Net change in fund balances	-	-	-	-	-	-	60,552
Fund balances, beginning	-	-	-	-	-	-	1,010,831
Fund balances, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,071,383</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, 2019

	481	486	488	489	490	498/499	Total
	AP Testing	Athletic	PTA/PTO Donations	Other State and Local	Lake Travis Ed. Foundation Mini Grants	Lake Travis Ed. Foundation Mini Grants	Special Revenue Funds
REVENUES							
Local and intermediate sources	\$ 181,259	528,009	82,437	128,612	202,996	-	7,827,948
State program revenues	-	-	-	-	-	-	1,831,943
Federal program revenues	-	-	-	-	-	-	2,905,509
Total revenues	<u>181,259</u>	<u>528,009</u>	<u>82,437</u>	<u>128,612</u>	<u>202,996</u>	<u>-</u>	<u>12,565,400</u>
EXPENDITURES							
Current:							
Instruction	-	-	90,806	6,144	49,793	41,344	5,149,042
Curriculum and staff development	-	-	-	-	-	-	175,045
Guidance, counseling and evaluation services	182,654	-	-	-	-	-	567,642
Student transportation	-	-	-	-	-	-	35,535
Food services	-	-	-	-	-	-	4,842,650
Extracurricular activities	-	538,312	-	6,852	-	-	1,049,470
Community services	-	-	-	1,746	-	-	1,746
Payments related to shared services arrangements	-	-	-	-	-	-	66,536
Total expenditures	<u>182,654</u>	<u>538,312</u>	<u>90,806</u>	<u>14,742</u>	<u>49,793</u>	<u>41,344</u>	<u>11,887,666</u>
Excess (deficiency) of revenues over (under) expenditures	(1,395)	(10,303)	(8,369)	113,870	153,203	(41,344)	677,734
Net change in fund balances	(1,395)	(10,303)	(8,369)	113,870	153,203	(41,344)	677,734
Fund balances, beginning	<u>13,128</u>	<u>95,727</u>	<u>33,402</u>	<u>12,266</u>	<u>-</u>	<u>57,864</u>	<u>2,576,136</u>
Fund balances, ending	<u>\$ 11,733</u>	<u>85,424</u>	<u>25,033</u>	<u>126,136</u>	<u>153,203</u>	<u>16,520</u>	<u>3,253,870</u>

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
Combining Statement of Net Position
Business-type Activities- Nonmajor Enterprise Funds
August 31, 2019

	Community Education	Video Display Board	Total Nonmajor Enterprise Funds
ASSETS			
Current assets-			
Cash and cash equivalents	\$ 2,027,287	\$ 249,502	\$ 2,276,789
Prepaid items	8	-	8
Total current assets	2,027,295	249,502	2,276,797
Noncurrent assets-			
Capital assets:			
Buildings and improvements	-	449,008	449,008
Accumulated depreciation	-	(134,701)	(134,701)
Total noncurrent assets	-	314,307	314,307
Total assets	2,027,295	563,809	2,591,104
NET POSITION			
Net investment in capital assets	-	314,307	314,307
Unrestricted	2,027,295	249,502	2,276,797
Total net position	\$ 2,027,295	\$ 563,809	\$ 2,591,104

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, 2019

	Community Education	Video Display Board	Total Nonmajor Enterprise Funds
Operating revenues-			
Charges for services	\$ 2,705,118	\$ 96,625	\$ 2,801,743
Operating expenses:			
Payroll costs	2,069,450	-	2,069,450
Professional and contracted services	178,654	62,251	240,905
Supplies and materials	108,439	-	108,439
Other operating	112,493	-	112,493
Depreciation	-	22,450	22,450
Total operating expenses	2,469,036	84,701	2,553,737
Operating income	236,082	11,924	248,006
Change in net position	236,082	11,924	248,006
Total net position, beginning	1,791,213	551,885	2,343,098
Total net position, ending	\$ 2,027,295	\$ 563,809	\$ 2,591,104

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
Combining Statement of Cash Flows
Business-type Activities- Nonmajor Enterprise Funds
Year Ended August 31, 2019

	Community Education	Video Display Board	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from interfund services provided	\$ 2,705,118	\$ 96,625	\$ 2,801,743
Payments to employees	(2,069,450)	-	(2,069,450)
Payments to suppliers	(405,473)	(62,251)	(467,724)
Net cash provided by operating activities	230,195	34,374	264,569
Cash and cash equivalents, beginning of the year	1,797,092	215,128	2,012,220
Cash and cash equivalents, end of the year	\$ 2,027,287	\$ 249,502	\$ 2,276,789
 Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 236,082	\$ 11,924	248,006
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	22,450	22,450
Increase in prepaid items	(8)	-	(8)
Decrease in accounts payable	(5,879)	-	(5,879)
Net cash provided by operating activities	\$ 230,195	\$ 34,374	\$ 264,569

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
Combining Statement of Net Position
Governmental Activities- Nonmajor Internal Service Funds
August 31, 2019

	<u>Workers Compensation</u>	<u>Self-Funded Health Insurance</u>	<u>DSA/HSA</u>	<u>Total Nonmajor Internal Service Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 733,171	\$ 2,288,101	\$ 70,727	\$ 3,091,999
Temporary investments	112,442	-	-	112,442
Due from other funds	-	855,000	-	855,000
Total current assets	<u>845,613</u>	<u>3,143,101</u>	<u>70,727</u>	<u>4,059,441</u>
Total assets	<u><u>845,613</u></u>	<u><u>3,143,101</u></u>	<u><u>70,727</u></u>	<u><u>4,059,441</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable	200,606	433,635	-	634,241
Unearned revenue	-	787,345	-	787,345
Total liabilities	<u>200,606</u>	<u>1,220,980</u>	<u>-</u>	<u>1,421,586</u>
NET POSITION				
Unrestricted	<u>645,007</u>	<u>1,922,121</u>	<u>70,727</u>	<u>2,637,855</u>
Total net position	<u><u>\$ 645,007</u></u>	<u><u>\$ 1,922,121</u></u>	<u><u>\$ 70,727</u></u>	<u><u>\$ 2,637,855</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, 2019

	<u>Workers Compensation</u>	<u>Self Funded Health Insurance</u>	<u>DSA/HSA</u>	<u>Total Nonmajor Internal Service Funds</u>
Operating revenues-				
Charges for services	\$ 586,042	\$ 11,469,751	\$ 302,559	\$ 12,358,352
Operating expenses:				
Professional and contracted services	152,629	42,157	-	194,786
Claims	51,686	10,055,931	307,076	10,414,693
Other operating	67,130	-	-	67,130
Total operating expenses	271,445	10,098,088	307,076	10,676,609
Operating income (loss)	314,597	1,371,663	(4,517)	1,681,743
Non-operating revenues-				
Investment and interest income	5,253	10,177	624	16,054
Change in net position	319,850	1,381,840	(3,893)	1,697,797
Total net position, beginning	325,157	540,281	74,620	940,058
Total net position, ending	<u>\$ 645,007</u>	<u>\$ 1,922,121</u>	<u>\$ 70,727</u>	<u>\$ 2,637,855</u>

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
Combining Statement of Cash Flows
Governmental Activities- Nonmajor Internal Service Funds
Year Ended August 31, 2019

	Workers Compensation	Self Funded Health Insurance	DSA/HSA	Total Nonmajor Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from contributors	\$ 586,042	\$ 12,257,096	\$ 302,559	\$ 13,145,697
Payments to suppliers	(219,759)	(882,983)	-	(1,102,742)
Claims paid	(81,317)	(10,310,002)	(307,076)	(10,698,395)
Net cash provided by (used in) operating activities	<u>284,966</u>	<u>1,064,111</u>	<u>(4,517)</u>	<u>1,344,560</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(2,537)	-	-	(2,537)
Interest received	5,253	10,177	624	16,054
Net cash provided by investing activities	<u>2,716</u>	<u>10,177</u>	<u>624</u>	<u>13,517</u>
Net change in cash and cash equivalents	287,682	1,074,288	(3,893)	1,358,077
Cash and cash equivalents, beginning of the year	<u>445,489</u>	<u>1,213,813</u>	<u>74,620</u>	<u>1,733,922</u>
Cash and cash equivalents, end of the year	<u>\$ 733,171</u>	<u>\$ 2,288,101</u>	<u>\$ 70,727</u>	<u>\$ 3,091,999</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 314,597	\$ 1,371,663	\$ (4,517)	1,681,743
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities-				
Decrease in accrued expenses	(29,631)	(254,071)	-	(283,702)
Increase in unearned revenue	-	787,345	-	787,345
Increase in due from other funds	-	(840,826)	-	(840,826)
Net cash provided by (used in) operating activities	<u>\$ 284,966</u>	<u>\$ 1,064,111</u>	<u>\$ (4,517)</u>	<u>\$ 1,344,560</u>

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Year Ended August 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local and intermediate sources	\$ 41,000,000	41,000,000	40,833,221	(166,779)
State program revenues	-	-	231,927	231,927
Total revenues	<u>41,000,000</u>	<u>41,000,000</u>	<u>41,065,148</u>	<u>65,148</u>
EXPENDITURES				
Principal on long-term debt	24,745,000	24,745,000	24,765,000	(20,000)
Interest on long-term debt	16,039,876	16,039,876	16,016,161	23,715
Other debt service expenditures	215,124	215,124	91,879	123,245
Total expenditures	<u>41,000,000</u>	<u>41,000,000</u>	<u>40,873,040</u>	<u>126,960</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>192,108</u>	<u>192,108</u>
OTHER FINANCING SOURCES				
Issuance of bonds	-	-	4,889	4,889
Total other financing sources	<u>-</u>	<u>-</u>	<u>4,889</u>	<u>4,889</u>
Fund balance, beginning	<u>6,501,714</u>	<u>6,501,714</u>	<u>6,501,714</u>	<u>-</u>
Fund balance, ending	<u>\$ 6,501,714</u>	<u>6,501,714</u>	<u>6,698,711</u>	<u>196,997</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local and intermediate sources	\$ 4,460,000	4,660,000	4,691,376	31,376
State program revenues	10,000	10,000	8,846	(1,154)
Federal program revenues	530,000	630,000	553,948	(76,052)
Total revenues	<u>5,000,000</u>	<u>5,300,000</u>	<u>5,254,170</u>	<u>(45,830)</u>
EXPENDITURES				
Food services	4,871,000	4,871,000	4,842,650	28,350
Facilities maintenance and operations	129,000	129,000	-	129,000
Total expenditures	<u>5,000,000</u>	<u>5,000,000</u>	<u>4,842,650</u>	<u>157,350</u>
Excess of revenues over expenditures	-	300,000	411,520	411,520
Fund balance, beginning	<u>1,352,918</u>	<u>1,352,918</u>	<u>1,352,918</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,352,918</u>	<u>1,652,918</u>	<u>1,764,438</u>	<u>111,520</u>

OTHER SCHEDULES

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Year Ended August 31, 2019

Last Ten Years Ended August 31	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 8/31/2018	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustment	Ending Balance 8/31/2019
	Maintenance	Debt Service							
2010 and earlier	Various	Various	Various	\$ 900,874	-	(22,269)	(9,653)	(5,649)	863,303
2011	1.0400	0.2759	6,256,632,353	113,988	-	(7,989)	(2,119)	(5,057)	98,823
2012	1.0400	0.2759	6,408,739,302	160,792	-	(9,476)	(2,514)	(7,262)	141,540
2013	1.0400	0.3675	6,608,815,301	167,075	-	(16,500)	(5,830)	8,616	153,361
2014	1.0400	0.3675	7,115,224,770	196,171	-	(70,985)	(25,084)	70,860	170,962
2015	1.0400	0.3675	7,911,588,785	212,611	-	(92,223)	(32,588)	80,252	168,052
2016	1.0400	0.3675	8,957,914,229	233,883	-	(116,821)	(41,280)	91,879	167,661
2017	1.0400	0.3675	9,984,903,074	345,123	-	478,336	169,027	(735,383)	257,103
2018	1.0600	0.3475	10,969,867,472	1,061,151	-	73,946	24,242	(665,852)	493,487
2019	1.0600	0.3475	12,241,356,541	-	167,182,123	(123,481,002)	(40,480,800)	(2,071,189)	1,149,132
Totals				<u>\$ 3,391,668</u>	<u>167,182,123</u>	<u>(123,264,983)</u>	<u>(40,406,599)</u>	<u>(3,238,785)</u>	<u>3,663,424</u>

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT
Exhibit L-1 - Required Responses to Selected
School First Indicators
August 31, 2019

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.	\$ 23,438,267
SF13	Pension Expense (6147) at fiscal year-end.	\$ -
SF14	Net OPEB Liabilities (2545) at fiscal year-end.	\$ 29,887,166

FEDERAL AWARDS SECTION



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**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, 2019, 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 13, 2019.

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

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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 13, 2019



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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, 2019. 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, 2019.

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 13, 2019

LAKE TRAVIS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED AUGUST 31, 2019

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	19610101227913	\$ 446,717
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A	18694501227913 & 19694501227913 18671001227913 &	85,951
English Language Acquisition State Grants	84.365A	19671001227913	55,270
Student Support and Academic Enrichment Program	84.424A	18680101227913 & 19680101227913	30,808
Special Education Cluster:			
Special Education Grants to States (IDEA - Part B, Formula)	84.027A	186600012279136000 & 196600012279136000	1,411,382
Special Education Grants to States (IDEA - Part B, High Cost Risk Pool)	84.027A	196600122279136000	255,006
Total CFDA Number 84.027A			1,666,388
Special Education Preschool Grants (IDEA - Part B, Preschool)	84.173A	186610012279136000 & 196610012279136000	15,653
Total Special Education Cluster			1,682,041
Career and Technical Education - Basic Grants to States	84.048A	18420006227913 & 19420006227913	50,774
Total Passed Through Texas Education Agency			2,351,561
TOTAL DEPARTMENT OF EDUCATION			2,351,561
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
<u>Passed Through Texas Education Agency:</u>			
National School Lunch Program	10.555	71301801 & 71301901	420,420
School Breakfast Program	10.553	71401801 & 71401901	63,826
Total Passed Through Texas Education Agency			484,246
<u>Passed Through the Texas Department of Human Services-</u>			
Non-cash Assistance - Food Distribution Program	10.555	3001901	69,702
Total Child Nutrition Cluster			553,948
TOTAL DEPARTMENT OF AGRICULTURE			553,948
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Passed Through State Health and Human Services Commission-</u>			
Medical Assistance Program	93.778		9,524
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			9,524
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,915,033

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, 2019

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, 2019. 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 General Fund and 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, 2019**

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 the 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, 2019

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, 2019 and August 31, 2018.

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, 2019 and August 31, 2018.