



**LA VERNIA INDEPENDENT
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**



LA VERNIA
INDEPENDENT SCHOOL
DISTRICT

LA VERNIA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
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CERTIFICATE OF BOARD

La Vernia Independent School District
Name of School District

Wilson
County

247-903
Co.-Dist. Number

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



Signature of Board Secretary



Signature of Board President



LA VERNIA

INDEPENDENT SCHOOL
DISTRICT



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
La Vernia Independent School District
13600 US Hwy 87 West
La Vernia, TX 78121

Members of the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Vernia Independent School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise La Vernia Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note A3o to the financial statements, in 2018, the District adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 75 related to accounting for other post-employment benefits. This resulted in a restatement of prior year balances. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise La Vernia Independent School District's basic financial statements. The supplementary information (combining nonmajor fund financial statements, individual budgetary comparison statements), and schedule of expenditures of federal awards as required by the audit requirements of Title I U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other information (schedule of delinquent taxes receivable and schedule of required responses to selected school first indicators) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2018 on our consideration of La Vernia Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 La Vernia Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

October 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of La Vernia Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal period ended June 30, 2018. Please read it in conjunction with the Independent Auditor's Report, which precedes this Analysis and the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by \$1.7 million as a result of this period's operations, but decreased \$16.3 million as a result of the adoption of GASB 75 for retiree insurance.
- Total cost of all of the District's programs decreased 23.3% this period to \$27 million. Retiree insurance benefits were reduced leading to a reduction in costs accumulated in prior years.
- The General Fund expenditures for the fiscal period were \$210 thousand less than budgeted.
- No new debt was issued. However, a new liability for retiree insurance was recorded for \$9.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

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

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

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

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—All of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at period-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was a deficit of (\$9.47) million at June 30, 2018 (See Table A-1). Adding back the net pension and net other post-employment benefits leaves \$6.3 million in unrestricted, representing resources available to support the programs of the District.

Table A-1
La Vernia Independent School District's Net Position

	Governmental Activities		Percentage Change
	6/30/18	06/30/17*	
<i>Assets:</i>			
Cash and Investments	\$ 11,537,484	\$ 12,477,354	-7.5%
Other Current Assets	4,976,085	5,534,195	-10.1%
Property and Equipment (net)	32,867,395	35,437,073	-7.3%
<i>Total Assets</i>	49,380,964	53,448,622	-7.6%
<i>Deferred Outflows</i>	5,162,921	5,870,881	-12.1%
<i>Liabilities</i>			
Current Liabilities	4,940,742	5,226,556	-5.5%
Long-term Liabilities	53,716,041	64,303,415	-16.5%
<i>Total Liabilities</i>	58,656,783	69,529,971	-15.6%
<i>Deferred Inflows</i>	5,361,718	928,758	477.3%
<i>Net Position:</i>			
Net Investment in Capital Assets	(4,771,206)	(4,620,036)	3.3%
Restricted	5,740,755	5,368,106	6.9%
Unrestricted	(10,444,165)	(11,887,296)	-12.1%
<i>Total Net Position</i>	\$ (9,474,616)	\$ (11,139,226)	-14.9%

* 2017 figures have been restated for GASB 75. See note A3o.

Changes in Net Position

The District's total revenues were \$29 million, a decrease of 13.5%. The decrease resulted from changes in retirement insurance that the State no longer supports. A significant portion of the District's revenue came from local taxes of \$14.4 million or 50%; \$12.5 million or 44% came from Federal, State, and Local grants, while another \$1.8 million or 6% related to charges for services.

The total cost of all programs and services was \$27 million; instruction and instruction related service costs were \$13.4 million or 50%. Other important services are general administration, facilities operation and maintenance, data services, and interest on long term debt.

Table A-2 presents the cost of each of the District's functions with a comparison to the prior period.

Table A-2
Changes in La Vernia Independent School District's Net Position

	Governmental Activities		Percentage Change
	2018	2017*	
<i>Program Revenues:</i>			
Charges for Services	\$ 1,807,086	\$ 1,790,015	1.0%
Operating Grants & Contributions	2,706,694	2,522,986	7.3%
<i>General Revenues:</i>			
Property Taxes	14,378,648	13,275,344	8.3%
General Grants	9,404,492	14,564,789	-35.4%
Investment Earnings	188,134	110,347	70.5%
Miscellaneous	185,238	867,994	-78.7%
<i>Total Revenues</i>	<u>28,670,292</u>	<u>33,131,475</u>	-13.5%
<i>Expenses:</i>			
Instruction	13,049,490	18,556,313	-29.7%
Instructional Resources & Media	337,432	453,540	-25.6%
Curriculum & Staff Development	97,214	184,564	-47.3%
Instructional Leadership	613,955	489,397	25.5%
School Leadership	795,797	1,349,148	-41.0%
Guidance, Counseling, Evaluation	592,898	901,172	-34.2%
Health Services	215,911	288,121	-25.1%
Student Transportation	1,175,018	1,164,574	0.9%
Food Service	1,255,215	1,561,534	-19.6%
Extracurricular Activities	1,972,712	2,147,247	-8.1%
General Administration	1,120,253	1,353,976	-17.3%
Plant Maintenance & Operations	3,125,828	3,359,520	-7.0%
Security Services	199,304	206,897	-3.7%
Data Processing Services	838,740	852,938	-1.7%
Community Services	-	763	-100.0%
Interest on Long-Term Debt	1,233,838	1,712,158	-27.9%
Bond Issuance Costs and Fees	16,751	304,485	-94.5%
Facilities Acquisition	-	2,424	-100.0%
Payments for JJAEP	44,403	23,934	85.5%
Other Intergovernmental Charges	320,923	313,307	2.4%
<i>Total Expenses</i>	<u>27,005,682</u>	<u>35,226,012</u>	-23.3%
<i>Increase (Decrease) in Net Position</i>	<u>\$ 1,664,610</u>	<u>\$ (2,094,537)</u>	-179.5%

* 2017 figures have not been restated for GASB 75 since information is not available to restate.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$34.4 million, an increase of less than 1% over the preceding period. Total governmental fund expenditures totaled \$35 million, an increase of less than 1% over the preceding period.

BUDGETARY HIGHLIGHTS

The General Fund's expenditures were \$210 thousand less than the final budgeted expenditures. Combined with revenues, the General Fund balance decreased \$392 thousand more than anticipated in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had invested \$77.2 million in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-3). After depreciation, the book value of these assets at June 30, 2018 was \$32.9 million. No significant changes in capital assets occurred during the fiscal year.

Table A-3
Changes in La Vernia Independent School District's Capital Assets

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 2,541,513	\$ -	\$ -	\$ 2,541,513
Buildings and Improvements	68,288,080	385,953	-	68,674,033
Equipment	2,606,422	53,149	-	2,659,571
Vehicles	3,269,755	84,578	-	3,354,333
Less: Accumulated Depreciation	(41,268,697)	(3,093,358)	-	(44,362,055)
Total Capital Assets	<u>\$ 35,437,073</u>	<u>\$ (2,569,678)</u>	<u>\$ -</u>	<u>\$ 32,867,395</u>

Land and Construction in progress are not depreciated.

Long Term Debt

At period-end the District owed \$41.4 million for outstanding bonds (including unamortized premiums and accreted interest). More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT PERIOD'S BUDGETS AND TAX RATES

The District's 2018-2019 budget projects general fund expenditures to decrease \$967 thousand to \$27.5 million. The District does not expect any significant changes to operations for the upcoming fiscal year.

The District's property tax rate did not change for the 2018-2019 school year and remains to \$1.415 per \$100 of assessed value.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, we invite you to contact the District's Finance Office, 13600 US Hwy 87 West, La Vernia, TX 78121.

BASIC FINANCIAL STATEMENTS



LA VERNIA
INDEPENDENT SCHOOL
DISTRICT

LA VERNIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 8,548,184
1120	Current Investments	2,989,300
1225	Property Taxes Receivable (Net)	586,456
1240	Due from Other Governments	4,341,661
1290	Other Receivables (Net)	47,968
	<i>Capital Assets:</i>	
1510	Land	2,541,513
1520	Buildings and Improvements, Net	28,854,406
1531	Vehicles, Net	574,513
1539	Furniture and Equipment, Net	896,963
1000	TOTAL ASSETS:	<u>49,380,964</u>
	DEFERRED OUTFLOW OF RESOURCES:	
1700	Deferred Loss on Debt Refundings	2,560,744
1705	Deferred Pension Related Outflows	2,464,071
1706	Deferred OPEB Related Outflows	138,106
	TOTAL DEFERRED OUTFLOWS:	<u>5,162,921</u>
	LIABILITIES:	
2110	Accounts Payable	174,640
2140	Interest Payable	448,785
2150	Payroll Deductions and Withholdings	179,363
2160	Accrued Wages	2,445,459
	<i>Noncurrent Liabilities:</i>	
2501	Due Within One Year	1,692,495
2502	Due in More Than One Year	39,699,299
2540	Net Pension Liability	4,718,617
2545	Net OPEB Liability	9,298,125
2000	TOTAL LIABILITIES:	<u>58,656,783</u>
	DEFERRED INFLOW OF RESOURCES:	
2605	Deferred Pension Related Inflows	1,472,295
2606	Deferred OPEB Related Inflows	3,889,423
	TOTAL DEFERRED INFLOWS:	<u>5,361,718</u>
	NET POSITION:	
3200	Net Investment in Capital Assets	(4,771,206)
	Restricted For:	
3820	State and Federal Programs	348,883
3850	Debt Service	5,382,295
3890	Other Restrictions	9,577
3900	Unrestricted	(10,444,165)
3000	TOTAL NET POSITION:	<u>\$ (9,474,616)</u>

The accompanying notes are an integral part of this statement

LA VERNIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		1	3	4
Data			Program Revenues	
Control			Charges for	Operating
Codes	Functions/Programs	Expenses	Services	Grants and Contributions
	GOVERNMENTAL ACTIVITIES:			
11	Instruction	\$ 13,049,490	\$ 120,270	\$ 1,057,482
12	Instructional Resources and Media Services	337,432	-	39,198
13	Curriculum and Staff Development	97,214	-	36,390
21	Instructional Leadership	613,955	-	21,222
23	School Leadership	795,797	-	-
31	Guidance, Counseling, & Evaluation Services	592,898	-	25,255
33	Health Services	215,911	-	546,850
34	Student transportation	1,175,018	-	-
35	Food Services	1,255,215	770,610	597,395
36	Cocurricular/Extracurricular Activities	1,972,712	916,206	-
41	General Administration	1,120,253	-	-
51	Plant Maintenance and Operations	3,125,828	-	-
52	Security and Monitoring Services	199,304	-	-
53	Data Processing Services	838,740	-	-
72	Interest on Long-Term Debt	1,233,838	-	382,902
73	Bond Issuance Costs and Fees	16,751	-	-
95	Payments to Juvenile Justice Programs	44,403	-	-
99	Other Intergovernmental Charges	320,923	-	-
TG	Total Governmental Activities	27,005,682	1,807,086	2,706,694
TP	Total Primary Government	\$ 27,005,682	\$ 1,807,086	\$ 2,706,694
	<i>General Revenues:</i>			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
IE	Investment Earnings			
GC	Grants and Contributions Not Restricted to Specific Programs			
MI	Miscellaneous			
TR	Total General Revenues			
CN	Change in Net Position			
NB	Net Position - Beginning			
PA	Prior Period Adjustment			
NE	Net Position - Ending			

The accompanying notes are an integral part of this statement

6
 Net Revenue
 (Expense) and
 Changes in
 Net Position

Governmental
 Activities

\$	(11,871,738)
	(298,234)
	(60,824)
	(592,733)
	(795,797)
	(567,643)
	330,939
	(1,175,018)
	112,790
	(1,056,506)
	(1,120,253)
	(3,125,828)
	(199,304)
	(838,740)
	(850,936)
	(16,751)
	(44,403)
	<u>(320,923)</u>
	<u>(22,491,902)</u>
	<u>(22,491,902)</u>

	10,618,873
	3,759,775
	188,134
	9,404,492
	<u>185,238</u>
	<u>24,156,512</u>
	1,664,610
	5,183,609
	<u>(16,322,835)</u>
\$	<u><u>(9,474,616)</u></u>

LA VERNIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Nonmajor Governmental Funds	98 Total Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 2,173,460	\$ 5,572,679	\$ 802,045	\$ 8,548,184
1120	Current Investments	2,989,300	-	-	2,989,300
1225	Taxes Receivable, Net	375,896	210,560	-	586,456
1240	Due from Other Governments	4,086,896	47,841	206,924	4,341,661
1260	Due from Other Funds	205,424	-	-	205,424
1290	Other Receivables	47,968	-	-	47,968
1000	TOTAL ASSETS:	<u>\$ 9,878,944</u>	<u>\$ 5,831,080</u>	<u>\$ 1,008,969</u>	<u>\$ 16,718,993</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
LIABILITIES:					
2110	Accounts Payable	\$ 172,149	\$ -	\$ 2,491	\$ 174,640
2150	Payroll Deductions & Withholdings	179,363	-	-	179,363
2160	Accrued Wages Payable	2,380,436	-	65,023	2,445,459
2170	Due to Other Funds	-	-	205,424	205,424
2000	TOTAL LIABILITIES:	<u>2,731,948</u>	<u>-</u>	<u>272,938</u>	<u>3,004,886</u>
DEFERRED INFLOWS OF RESOURCES:					
2600	Unavailable Property Tax Revenue	375,896	210,560	-	586,456
2600	TOTAL DEFERRED INFLOWS:	<u>375,896</u>	<u>210,560</u>	<u>-</u>	<u>586,456</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	-	-	348,883	348,883
3480	Retirement of Long-Term Debt	-	5,620,520	-	5,620,520
3490	Other Restrictions	-	-	9,577	9,577
Committed Fund Balances:					
3545	Other	-	-	269,306	269,306
Assigned Fund Balances:					
3555	Capital Projects	-	-	108,265	108,265
3600	Unassigned	6,771,100	-	-	6,771,100
3000	TOTAL FUND BALANCES:	<u>6,771,100</u>	<u>5,620,520</u>	<u>736,031</u>	<u>13,127,651</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
4000		<u>\$ 9,878,944</u>	<u>\$ 5,831,080</u>	<u>\$ 1,008,969</u>	<u>\$ 16,718,993</u>

The accompanying notes are an integral part of this statement.

LA VERNIA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		\$ 13,127,651
<p>Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:</p>		
Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		32,867,395
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		586,456
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, not reported in the funds.		(38,831,050)
Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.		
Net Pension Liability	(4,718,617)	
Pension Related Deferred Inflows	(1,472,295)	
Pension Related Deferred Outflows	<u>2,464,071</u>	(3,726,841)
Net OPEB liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.		
Net OPEB Liability	(9,298,125)	
OPEB Related Deferred Inflows	(3,889,423)	
OPEB Related Deferred Outflows	<u>138,106</u>	(13,049,442)
Accrued interest payable on long-term bonds is not due and payable in the current period, and therefore, not reported in the funds.		<u>(448,785)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>\$ (9,474,616)</u>

The accompanying notes are an integral part of this statement.

LA VERNIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Nonmajor Governmental Funds	98 Total Governmental Funds	
REVENUES:					
5700	Local and Intermediate Sources	\$ 11,307,574	\$ 3,810,783	\$ 1,605,836	\$ 16,724,193
5800	State Program Revenues	15,014,997	382,902	379,786	15,777,685
5900	Federal Program Revenues	515,008	-	1,393,613	1,908,621
5020	<i>Total Revenues</i>	<u>26,837,579</u>	<u>4,193,685</u>	<u>3,379,235</u>	<u>34,410,499</u>
EXPENDITURES:					
0011	Instruction	15,854,745	-	1,069,739	16,924,484
0012	Instructional Resources and Media Services	434,919	-	29	434,948
0013	Curriculum and Staff Development	79,623	-	39,198	118,821
0021	Instructional Leadership	761,046	-	36,390	797,436
0023	School Leadership	1,325,251	-	-	1,325,251
0031	Guidance, Counseling, & Evaluation Services	877,763	-	21,222	898,985
0033	Health Services	279,494	-	-	279,494
0034	Student Transportation	1,325,087	-	-	1,325,087
0035	Food Service	36,753	-	1,273,035	1,309,788
0036	Cocurricular/Extracurricular Activities	1,010,324	-	764,745	1,775,069
0041	General Administration	1,454,986	-	-	1,454,986
0051	Plant Maintenance and Operations	3,394,104	-	-	3,394,104
0052	Security and Monitoring Services	159,010	-	-	159,010
0053	Data Processing Services	926,813	-	31,813	958,626
0071	Principal on Long-Term Debt	-	1,579,999	-	1,579,999
0072	Interest on Long-Term Debt	-	1,516,693	-	1,516,693
0073	Bond Issuance Costs and Fees	-	16,751	-	16,751
0081	Facilities Acquisition and Construction	-	-	385,953	385,953
0095	Payments to Juvenile Justice Programs	44,403	-	-	44,403
0099	Other Intergovernmental Charges	320,923	-	-	320,923
6030	<i>Total Expenditures</i>	<u>28,285,244</u>	<u>3,113,443</u>	<u>3,622,124</u>	<u>35,020,811</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,447,665)</u>	<u>1,080,242</u>	<u>(242,889)</u>	<u>(610,312)</u>
OTHER FINANCING SOURCES (USES):					
8949	Payment to Refunding Escrow Agent	-	(887,549)	-	(887,549)
7080	<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(887,549)</u>	<u>-</u>	<u>(887,549)</u>
1200	Net Change in Fund Balances	(1,447,665)	192,693	(242,889)	(1,497,861)
0100	Fund Balances - Beginning	8,218,765	5,427,827	978,920	14,625,512
3000	Fund Balances - Ending	<u>\$ 6,771,100</u>	<u>\$ 5,620,520</u>	<u>\$ 736,031</u>	<u>\$ 13,127,651</u>

The accompanying notes are an integral part of this statement.

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,497,861)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay. (2,569,678)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. This is the net change in those revenues over the year. (129,699)

The issuance of long-term debt (e.g. bonds & notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Payment to Refunding Escrow Agent	887,549	
Principal Payments on Bonds Outstanding	1,579,999	
Payments of Accreted Interest	240,000	2,707,548

Governmental funds report required contributions to employee pensions and other post-employment benefits as expenditures. However in the Statement of Activities, the cost of benefits are recorded based on the actuarially determined cost of the plan.

This is the amount that the actuarially determined expenses exceeded the contributions.

Pension	(161,948)	
Retiree Insurance	3,273,393	3,111,445

Some expenses reported in the Statement of Activities (including accreted and accrued interest expense) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Change in Accrued Interest	122,975	
Accretion of Interest on Capital Appreciation Bonds	(31,080)	
Amortization of Refunding Differences	(214,403)	
Amortization of Bond Premiums	165,363	42,855

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 1,664,610

The accompanying notes are an integral part of this statement.

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

a. Basis of Presentation (Continued)

The District reports the following major governmental funds:

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

Debt Service Fund: Is used to account for all funds collected and disbursed for the retirement of governmental debt.

b. Measurement Focus, Basis of Accounting

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. For the District, this includes local government investment pools and money market funds.

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

b. Investments

The District reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool maintains a consistent net asset value per share that approximates the fair value of the underlying securities. These investments are reported at net asset value.

c. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Taxes Receivable in the governmental funds are stated net of allowance for uncollectible tax receivables in the amount of \$379,993 and \$52,729 for the General and Debt Service Funds, respectively.

d. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

e. Receivable and Payable Balances

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

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

f. Deferred Inflows and Outflows of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

g. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings and Improvements	7-25
Vehicles	5-15
Equipment	5-15

h. Interfund Activity

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

i. Pensions

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/ deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, 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.

j. Other Post-Employment Benefits

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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS'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.

k. Net Position - Government-wide Statement of Net Position

Net position is classified as follows:

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

Net Investment in Capital Assets - represents the balances of capital assets less the outstanding balances of debt related to the acquisition of the capital assets. This amount is separated from unrestricted net position so that the unrestricted classification represents net position more readily available to fund operations.

Unrestricted - Represents the residual net position that is not restricted or capital in nature.

l. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

l. Fund Balances - Governmental Funds (Continued)

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

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

In addition, the Board has established a minimum General Fund unassigned fund balance of 25% of budgeted General Fund operational expenditures.

m. Use of Estimates

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

n. Data Control Codes

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

o. Adoption of Governmental Accounting Standards Board Statement No. 75

For the year ending June 30, 2018, the District implemented GASB Statement No. 75 related to accounting for other post-employment benefits: TRS-Care (retiree health insurance). This new standard requires the District's proportionate share of the plan's net OPEB liability (asset) and related deferred inflows and outflows of resources to be recognized on the District's government-wide statements. This change required a prior period adjustment to restate prior years in accordance with the change in accounting principle. The prior period adjustment recorded represents the net OPEB liability at June 30, 2017.

B. Deposits and Investments

1. Cash Deposits:

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The District's cash deposits at June 30, 2018 and during the period ended June 30, 2018, were entirely covered by FDIC insurance and securities pledged by the District's depository.

2. Investments:

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

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

B. Deposits and Investments (Continued)

2. Investments (Cont.):

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

The District's investments at June 30, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity (Days)</u>	<u>Rating</u>	<u>Reported Value</u>	<u>Fair Value</u>
<i>Reported as Cash Equivalents</i>				
Lone Star Investment Pool	Demand	AAAf	\$ 6,376,839	\$ 6,376,839
Money Market Mutual Funds	Demand	NR	1,216,338	1,216,338
<i>Reported as Current Investments</i>				
Commercial Paper	61	P-1	2,989,300	2,989,300
Total Investments			<u>\$ 10,582,477</u>	<u>\$ 10,582,477</u>

The District participates in the First Public Local Government Pool ("Lone Star"), an external investment pool. A Board of Trustees composed of participants of Lone Star is responsible for the overall management of the pool. An independent, third-party investment consultant—CAPTRUST Financial Advisors—reports directly to the Board of Trustees. This firm reviews the Pool's daily operations, makes sure investment transactions fit with the Pool's Investment Policy, monitors the custodian bank, and compares the investment advisor's performance with that of peer funds and other benchmarks. Two other firms, American Beacon Advisors and Standish, manage the investment and reinvestment of the Lone Star's assets. The pool seeks to maintain a net asset value of \$0.50, which approximates fair value.

The District also invests in the Wells Fargo Advantage Government and the Wells Fargo Cash Investment Money Market Funds. Both funds are managed by Wells Fargo Funds Management, LLC. The Advantage Government Fund only invests in US Government securities, while the Cash Investment Fund invests in various bank obligations and bonds. Both funds seek to maintain a net asset value of \$1.00 and neither fund is rated.

The commercial paper is with one entity: GE Capital, which has an investment grade rating of P-1. The commercial paper was purchased at a discount and is reported at fair value based on quoted market prices (Level 1).

3. Analysis of Specific Deposit and Investment Risks:

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

B. Deposits and Investments (Continued)

3. Analysis of Specific Deposit and Investment Risks (Cont):

b. Custodial credit risk occurs when deposits are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At period end, the District was not exposed to custodial credit risk.

c. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At period end, the District was exposed to concentration of credit risk as the commercial paper investment is concentrated in one issuer.

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

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

C. Capital Assets

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

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 2,541,513	\$ -	\$ -	\$ 2,541,513
<i>Total Capital Assets Not Being Depreciated</i>	<u>2,541,513</u>	<u>-</u>	<u>-</u>	<u>2,541,513</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Improvements	68,288,080	385,953	-	68,674,033
Equipment	2,606,422	53,149	-	2,659,571
Vehicles	3,269,755	84,578	-	3,354,333
<i>Total Capital Assets Being Depreciated</i>	<u>74,164,257</u>	<u>523,680</u>	<u>-</u>	<u>74,687,937</u>
<i>Less Accumulated Depreciation For:</i>				
Buildings and Improvements	(37,127,673)	(2,691,954)	-	(39,819,627)
Equipment	(1,510,143)	(252,465)	-	(1,762,608)
Vehicles	(2,630,881)	(148,939)	-	(2,779,820)
<i>Total Accumulated Depreciation</i>	<u>(41,268,697)</u>	<u>(3,093,358)</u>	<u>-</u>	<u>(44,362,055)</u>
Total Capital Assets Being Depreciated, Net	<u>32,895,560</u>	<u>(2,569,678)</u>	<u>-</u>	<u>30,325,882</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 35,437,073</u>	<u>\$ (2,569,678)</u>	<u>\$ -</u>	<u>\$ 32,867,395</u>

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

C. Capital Assets (Continued)

Depreciation was charged to functions as follows:

11 Instruction	\$ 1,945,692
12 Instructional Resources and Media Services	18,881
23 School Leadership	388
31 Guidance and Counseling	388
34 Student Transportation	183,575
35 Food Services	196,471
36 Cocurricular/Extracurricular Activities	402,584
41 General Administration	14,531
51 Plant Maintenance and Operations	181,698
52 Security and Monitoring	40,294
53 Data Processing Services	108,856
	\$ 3,093,358

D. Interfund Balances and Activities

Balances due to and from other funds at June 30, 2018, all of which are scheduled to be repaid within one year, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 205,424	Short-term pooled cash loans
	Total	\$ 205,424	

E. Long-Term Obligations

1. Long-Term Obligation Activity

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

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Unlimited Tax School					
Building Bonds	\$ 630,000	\$ -	\$ (415,000)	\$ 215,000	\$ 215,000
Refunding Bonds	39,758,917	-	(2,029,999)	37,728,918	1,197,106
Building/Refunding Bonds	119,807	-	-	119,807	119,807
Unamortized Premiums	2,357,149	-	(221,529)	2,135,620	160,582
Accreted Interest	1,401,369	31,080	(240,000)	1,192,449	-
<i>Total Governmental Activities</i>	\$ 44,267,242	\$ 31,080	\$ (2,906,528)	\$ 41,391,794	\$ 1,692,495

Unlimited Tax School Building/Refunding Bonds have interest rates of 4.64%.

Unlimited Tax School Building Bonds have interest rates of 5-6.75%.

Unlimited Tax School Refunding Bonds have interest rates of 0.85-5%.

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

E. Long-Term Obligations (Continued)

2. Debt Service requirements on bonded debt at June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,531,913	\$ 1,582,198	\$ 3,114,111
2020	1,106,812	1,975,200	3,082,012
2021	1,985,000	1,101,300	3,086,300
2022	2,055,000	1,027,788	3,082,788
2023	1,770,000	962,488	2,732,488
2024-2028	7,880,000	3,981,231	11,861,231
2029-2033	9,835,000	2,555,013	12,390,013
2034-2038	10,315,000	1,001,077	11,316,077
2039-2040	1,585,000	38,474	1,623,474
Totals	<u>\$ 38,063,725</u>	<u>\$ 14,224,769</u>	<u>\$ 52,288,494</u>

The outstanding bonds include both serial bonds and capital appreciation bonds. The interest shown above with respect to the capital appreciation bonds includes interest to be paid on the bonds maturing in the respective years and does not include accreted interest on bonds not maturing in those years.

In accordance with Securities and Exchange Act of 1934 Rule 15c2-12, the District has entered into a continuing disclosure agreement with the Municipal Securities Rulemaking Board. The District has complied with these continuing disclosures.

3. Advance Refundings

In 2018, the District used local resources to defease \$865,000 in outstanding bonds. The defeasance resulted in gross savings of \$91 thousand and net present value savings of approximately zero.

At June 30, 2018, the District had outstanding principal of defeased bonds of \$10,445,000 that are not reported in these financial statements.

F. Risk Management

1. Property and Liability Program

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

F. Risk Management (Continued)

2. Workers' Compensation

During the period ended June 30, 2018, the District met its statutory workers' compensation obligations through a modified self-funded program. The District (through a third-party administrator) pays all workers' compensation claims up to a maximum stop-loss amount. The stop-loss amount for the period ending June 30, 2018 was \$81,998. Actual claims for the fiscal periods ending June 30, 2018, 2017, and 2016 were \$196,144, \$59,312, and \$25,492, respectively.

G. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms. All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. Pension Plan Fiduciary Net Position

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

3. Benefits Provided

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

G. Pension Plan (Cont.)

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

	Contribution Rates	
	Years Ending August 31,	
	2017	2018
Member (Employee)	7.7%	7.7%
Non-employer Contributing Entity (State)	6.8%	6.8%
Employer	6.8%	6.8%
	Contributions Required and Made	
Member (Employee)	\$ 1,477,568	
Non-employer contributing agency (State)	1,021,352	
District	548,836	
	\$ 3,047,756	

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

G. Pension Plan (Continued)

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

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

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

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

5. Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Investment Rate of Return	8.00%
Single Discount Rate	8.00%
Salary Increases Including Inflation	3.5% to 9.5% including inflation
Inflation	2.5%
Ad Hoc Post-Employment Benefit Changes	None

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

G. Pension Plan (Continued)

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

G. Pension Plan (Continued)

6. Discount Rate (Continued)

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

*The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in <u>Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	1% Increase in <u>Discount Rate (9.0%)</u>
District's Proportionate Share of Net Pension Liability	\$ 7,954,656	\$ 4,718,617	\$ 2,024,089

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

G. Pension Plan (Continued)

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

At June 30, 2018, the District reported a liability of \$4,718,617 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 Proportionate Share		\$ 4,718,617
State's Proportionate Share		<u>9,985,305</u>
		<u>\$ 14,703,922</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0147574% which was a decrease of 0.000077% from its proportion measured as of August 31, 2016.

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

For the year ended June 30, 2018, the District recognized pension expense of \$1,392,463 and revenue of \$761,639 for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 69,035	\$ 254,469
Changes in actuarial assumptions	214,940	123,048
Difference between projected and actual investment earnings	-	343,882
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,711,220	750,896
Contributions paid to TRS subsequent to the measurement date	<u>468,876</u>	<u>-</u>
	<u>\$ 2,464,071</u>	<u>\$ 1,472,295</u>

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

G. Pension Plan (Continued)

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

The \$468,876 in deferred outflows of resources related to pensions from District contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June, 30</u>	<u>Pension Expense Amount</u>
2019	\$ 82,736
2020	383,938
2021	59,592
2022	(30,503)
2023	34,786
Thereafter	<u>(7,649)</u>
	<u>\$ 522,900</u>

H. Other Post-Employment Benefits

1. Plan Description

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

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

H. Other Post-Employment Benefits (Continued)

3. Benefits Provided (Continued)

Eligible retirees and their dependents not enrolled in Medicare may elect 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 basis and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Plan Premium Rates
 Effective Sept. 1, 2016 - Dec. 31, 2017

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

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

H. Other Post-Employment Benefits (Continued)

4. Contributions (Continued)

	Contribution Rates	
	Years Ending August 31,	
	2017	2018
Member (Employee)	0.65%	0.65%
Non-employer Contributing Entity (State)	1.00%	1.25%
Employer	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
	Contributions Required and Made	
Member (Employee)	\$ 124,729	
Non-employer contributing agency (State)	179,372	
District	155,283	
	\$ 459,384	

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

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

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions. The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

H. Other Post-Employment Benefits (Continued)

5. Actuarial Assumptions (Continued)

Additional Actuarial Methods and Assumptions:

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

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

**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent 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.

7. Discount Rate Sensitivity Analysis

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

	1% Decrease in <u>Discount Rate (2.42%)</u>	<u>Discount Rate (3.42%)</u>	1% Increase in <u>Discount Rate (4.42%)</u>
District's Proportionate Share of Net OPEB Liability	\$ 10,974,095	\$ 9,298,125	\$ 7,951,022

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

H. Other Post-Employment Benefits (Continued)

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	\$ 7,741,618	\$ 9,298,125	\$ 11,340,458

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

At June 30, 2018, the District reported a liability of \$9,298,125 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 Proportionate Share	\$ 9,298,125
State's Proportionate Share	15,003,276
	\$ 24,301,401

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The 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, 2016 thru August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.0213818%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for the August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

H. Other Post-Employment Benefits (Continued)

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

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected the measurement of the total OPEB liability since the prior measurement period:

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

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

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

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

For the ten months ended June 30, 2018, the District recognized OPEB expense of (\$8,157,239) and revenue of (\$5,020,495) for support provided by the State. Because of the changes in benefits this year, the amounts are backwards of traditional directions.

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

H. Other Post-Employment Benefits (Continued)

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

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 194,105
Changes in actuarial assumptions	-	3,695,318
Difference between projected and actual investment earnings	1,412	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	45	-
Contributions paid to TRS subsequent to the measurement date	136,649	-
	\$ 138,106	\$ 3,889,423

The \$136,649 in deferred outflows of resources related to OPEB from District contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ending June, 30	OPEB Expense Amount
2019	\$ (513,022)
2020	(513,022)
2021	(513,022)
2022	(513,022)
2023	(513,375)
Thereafter	(1,322,503)
	\$ (3,887,966)

I. Employee Health Care Coverage

During the period ended June 30, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$213 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement. The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions. Latest financial statements for the Plan are available for the year ended June 30, 2017, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

J. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both considered cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB Statement No. 68 and 75.

During the year under audit, the NECE expense was negative due to change in benefits within the TRS-Care plan. In effect, prior year State on-behalf amounts were refunded. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense.

K. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

2. Litigation

The District is subject to various claims through its normal course of business and employment practices. The District has been named the defendant in two lawsuits that are expected to go to trial. Management and legal counsel are not able to reasonably predict the outcome.

L. Shared Services Arrangements

The District is the fiscal agent for a Carl D. Perkins (Fund 331) Shared Services Arrangement. The expenditures for each member district are summarized below and were pro-rated based on the allocation of funds.

<u>Member District</u>	<u>Expenditures</u>
Stockdale ISD	\$ 9,604
La Vernia ISD	<u>15,651</u>
	<u>\$ 25,255</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		1		2	3	Variance with Final Budget
		Budgeted Amounts		Final	Actual	
		Original				
	REVENUES					
5700	Local and Intermediate Sources	\$ 11,539,000	\$ 11,539,000	\$ 11,307,574	\$ (231,426)	
5800	State Program Revenues	15,047,574	15,500,437	15,014,997	(485,440)	
5900	Federal Program Revenues	400,000	400,000	515,008	115,008	
5020	Total Revenues	<u>26,986,574</u>	<u>27,439,437</u>	<u>26,837,579</u>	<u>(601,858)</u>	
	EXPENDITURES					
0011	Instruction	15,393,191	15,536,191	15,854,745	(318,554)	
0012	Instructional Resources and Media Services	433,007	447,007	434,919	12,088	
0013	Curriculum and Staff Development	107,944	104,944	79,623	25,321	
0021	Instructional Leadership	548,141	748,141	761,046	(12,905)	
0023	School Leadership	1,384,414	1,384,414	1,325,251	59,163	
0031	Guidance, Counseling and Evaluation Services	878,226	878,226	877,763	463	
0033	Health Services	378,660	378,660	279,494	99,166	
0034	Student (Pupil) Transportation	1,293,631	1,308,631	1,325,087	(16,456)	
0035	Food Service	-	18,000	36,753	(18,753)	
0036	Cocurricular/Extracurricular Activities	1,086,216	1,001,216	1,010,324	(9,108)	
0041	General Administration	1,261,086	1,453,436	1,454,986	(1,550)	
0051	Plant Maintenance and Operations	3,289,685	3,564,685	3,394,104	170,581	
0052	Security and Monitoring Services	151,500	151,500	159,010	(7,510)	
0053	Data Processing Services	814,559	921,491	926,813	(5,322)	
0081	Facilities Acquisition and Construction	225,309	225,309	-	225,309	
0095	Payments for Juvenile Justice Programs	21,000	43,000	44,403	(1,403)	
0099	Other Intergovernmental Charges	390,000	330,000	320,923	9,077	
6030	Total Expenditures	<u>27,656,569</u>	<u>28,494,851</u>	<u>28,285,244</u>	<u>209,607</u>	
1200	Net Change in Fund Balance	(669,995)	(1,055,414)	(1,447,665)	(392,251)	
0100	Fund Balance - Beginning	8,218,765	8,218,765	8,218,765	-	
3000	Fund Balance - Ending	<u>\$ 7,548,770</u>	<u>\$ 7,163,351</u>	<u>\$ 6,771,100</u>	<u>\$ (392,251)</u>	

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

Budgetary Information - The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees and as such is a good management control device.

Budgetary preparation and control is exercised at the function level. Actual expenditures may not legally exceed appropriations at the fund level.

Texas Education Agency Reported – The Texas Education Agency requires explanations for expenditures at the function level that exceed the budget by 10% and \$10,000. The following functions met this reporting requirement:

35 Food Service – The budget underestimated Teacher Retirement System contributions in the current year.

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2018

	Measurement Periods Ending in Fiscal Year			
	2018	2017	2016	2015
District's proportion of the net pension liability	0.0147574%	0.0148344%	0.0144729%	0.0095294%
District's proportionate share of the net pension liability	\$ 4,718,617	\$ 5,605,718	\$ 5,115,978	\$ 2,545,435
State's proportionate share of the net pension liability associated with the District	<u>9,985,305</u>	<u>11,502,012</u>	<u>10,885,722</u>	<u>8,447,358</u>
Total	<u>\$ 14,703,922</u>	<u>\$ 17,107,730</u>	<u>\$ 16,001,700</u>	<u>\$ 10,992,793</u>
District's covered-employee payroll (for measurement year)	\$ 18,389,157	\$ 17,616,575	\$ 16,531,771	\$ 15,197,243
District's proportionate share of the net pension liability as a percent of its covered-employee payroll	25.66%	31.82%	30.95%	16.75%

Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year. (Amounts are being accumulated until 10 years are presented.)

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM
 JUNE 30, 2018

	Fiscal Years			
	2018	2017	2016	2015*
Contractually Required Contribution	\$ 548,836	\$ 481,015	\$ 466,461	\$ 356,098
Contributions Made	548,836	481,015	466,461	356,098
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll (for measurement year)	\$ 19,189,199	\$ 18,242,124	\$ 17,474,647	\$ 13,736,463
Contributions as a percent of covered-employee payroll	2.86%	2.64%	2.67%	2.59%

* 2015 was a short year of 10 months.

Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year. (Amounts are being accumulated until 10 years are presented.)

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON PENSIONS
JUNE 30, 2018

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

Changes of assumptions – There were no changes in actuarial assumptions that affected measurement of the total pension liability during the measurement period.

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 JUNE 30, 2018

	Measurement Periods Ending in Fiscal Year <u>2018</u>
District's proportion of the net OPEB liability	0.0213818%
District's proportionate share of the net OPEB liability	\$ 9,298,125
State's proportionate share of the net OPEB liability associated with the District	<u>15,003,276</u>
Total	<u><u>\$ 24,301,401</u></u>
District's covered-employee payroll (for measurement year)	\$ 18,389,157
District's proportionate share of the net OPEB liability as a percent of its covered-employee payroll	50.56%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year. (Amounts are being accumulated until 10 years are presented.)

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM
 JUNE 30, 2018

	Fiscal Year			
	2018	2017	2016	2015*
Contractually Required Contribution	\$ 155,283	\$ 109,307	\$ 105,442	\$ 79,677
Contributions Made	155,283	109,307	105,442	79,677
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll (for measurement year)	 \$19,189,199	 \$18,242,124	 \$17,474,647	 \$13,736,463
 Contributions as a percent of covered-employee payroll	 0.81%	 0.60%	 0.60%	 0.58%

* 2015 was a short year of 10 months.

Note: Amounts presented for each fiscal period were determined as of the year ending August 31 of the previous calendar year. (Amounts are being accumulated until 10 years are presented.)

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION ON OPEB
JUNE 30, 2018

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

Changes of assumptions – The following were changes in actuarial assumptions that affected measurement of the total OPEB liability during the measurement period.

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

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

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



LA VERNIA

INDEPENDENT SCHOOL
DISTRICT

SUPPLEMENTARY INFORMATION

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEETS
 NONMAJOR FUNDS
 JUNE 30, 2018

Data Control Codes		211	224	225	240	255	289	331
		Title I	IDEA B	IDEA B	National	ESEA	Title IV	Shared
		Part A	Formula	Preschool	School	Title II	Part A	Services
		Part A	Formula	Preschool	Lunch	Part A	Part A	Arrangment
ASSETS:								
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 410,606	\$ -	\$ -	\$ -
1240	Due from Other Governments	23,593	65,407	-	-	9,000	-	3,347
1000	<i>Total Assets</i>	<u>\$ 23,593</u>	<u>\$ 65,407</u>	<u>\$ -</u>	<u>\$ 410,606</u>	<u>\$ 9,000</u>	<u>\$ -</u>	<u>\$ 3,347</u>
LIABILITIES:								
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	65,023	-	-	-
2170	Due to Other Funds	23,593	65,407	-	-	7,500	-	3,347
2000	<i>Total Liabilities</i>	<u>23,593</u>	<u>65,407</u>	<u>-</u>	<u>65,023</u>	<u>9,000</u>	<u>-</u>	<u>3,347</u>
FUND BALANCES:								
<i>Restricted Fund Balances:</i>								
3450	Federal/State Grant Restrictions	-	-	-	345,583	-	-	-
3490	Other Restrictions	-	-	-	-	-	-	-
<i>Committed Fund Balances:</i>								
3545	Other - Campus Activities	-	-	-	-	-	-	-
<i>Assigned Fund Balances:</i>								
3550	Capital Projects	-	-	-	-	-	-	-
3000	<i>Total Fund Balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>345,583</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balance	<u>\$ 23,593</u>	<u>\$ 65,407</u>	<u>\$ -</u>	<u>\$ 410,606</u>	<u>\$ 9,000</u>	<u>\$ -</u>	<u>\$ 3,347</u>

EXHIBIT H-1

385	392	397	410	429	461	480	699	Total
Visually Impaired	Non-Educational Support	Advanced Placement Incentive	State Textbook	Read to Succeed	Campus Activity Funds	Foundation Grants	Capital Projects	Nonmajor Funds
\$ -	\$ -	\$ 3,300	\$ -	\$ -	\$ 269,306	\$ 10,568	\$ 108,265	\$ 802,045
-	10,250	-	95,327	-	-	-	-	206,924
<u>\$ -</u>	<u>\$ 10,250</u>	<u>\$ 3,300</u>	<u>\$ 95,327</u>	<u>\$ -</u>	<u>\$ 269,306</u>	<u>\$ 10,568</u>	<u>\$ 108,265</u>	<u>\$ 1,008,969</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 991	\$ -	\$ 2,491
-	-	-	-	-	-	-	-	65,023
-	10,250	-	95,327	-	-	-	-	205,424
<u>-</u>	<u>10,250</u>	<u>-</u>	<u>95,327</u>	<u>-</u>	<u>-</u>	<u>991</u>	<u>-</u>	<u>272,938</u>
-	-	3,300	-	-	-	-	-	348,883
-	-	-	-	-	-	9,577	-	9,577
-	-	-	-	-	269,306	-	-	269,306
-	-	-	-	-	-	-	108,265	108,265
<u>-</u>	<u>-</u>	<u>3,300</u>	<u>-</u>	<u>-</u>	<u>269,306</u>	<u>9,577</u>	<u>108,265</u>	<u>736,031</u>
<u>\$ -</u>	<u>\$ 10,250</u>	<u>\$ 3,300</u>	<u>\$ 95,327</u>	<u>\$ -</u>	<u>\$ 269,306</u>	<u>\$ 10,568</u>	<u>\$ 108,265</u>	<u>\$ 1,008,969</u>

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE – NONMAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	211 Title I Part A	224 IDEA B Formula	225 IDEA B Preschool	240 National School Lunch	255 Title II Part A	289 Title IV Part A
REVENUES						
5700 Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 770,609	\$ -	\$ -
5800 State Program Revenues	-	-	-	7,826	-	-
5900 Federal Program Revenues	279,993	446,250	2,841	589,569	39,748	9,957
5020 Total Revenues	<u>279,993</u>	<u>446,250</u>	<u>2,841</u>	<u>1,368,004</u>	<u>39,748</u>	<u>9,957</u>
EXPENDITURES						
<i>Current:</i>						
0011 Instruction	243,912	424,519	2,841	-	750	9,957
0012 Instructional Resources and Media Services	-	-	-	-	-	-
0013 Curriculum and Staff Development	200	-	-	-	38,998	-
0021 Instructional Leadership	35,881	509	-	-	-	-
0031 Guidance Counseling	-	21,222	-	-	-	-
0035 Food Service	-	-	-	1,273,035	-	-
0036 Extracurricular Activities	-	-	-	-	-	-
0053 Data Processing	-	-	-	-	-	-
0081 Facilities Acquisition	-	-	-	-	-	-
6030 Total Expenditures	<u>279,993</u>	<u>446,250</u>	<u>2,841</u>	<u>1,273,035</u>	<u>39,748</u>	<u>9,957</u>
1200 Net Change in Fund Balances	-	-	-	94,969	-	-
0100 Fund Balances - Beginning	-	-	-	250,614	-	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,583</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-2

331 Shared Services Arrangement	385 Visually Impaired	392 Non- Educational Support	397 Advanced Placement Incentive	410 State Textbooks	429 Read to Succeed	461 Campus Activity Funds	480 Foundation Grants	699 Capital Projects	Total Nonmajor Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 799,842	\$ 35,385	\$ -	\$ 1,605,836
-	640	31,474	2,850	336,967	29	-	-	-	379,786
25,255	-	-	-	-	-	-	-	-	1,393,613
<u>25,255</u>	<u>640</u>	<u>31,474</u>	<u>2,850</u>	<u>336,967</u>	<u>29</u>	<u>799,842</u>	<u>35,385</u>	<u>-</u>	<u>3,379,235</u>
-	640	31,474	-	305,154	-	-	50,492	-	1,069,739
-	-	-	-	-	29	-	-	-	29
-	-	-	-	-	-	-	-	-	39,198
-	-	-	-	-	-	-	-	-	36,390
-	-	-	-	-	-	-	-	-	21,222
-	-	-	-	-	-	-	-	-	1,273,035
25,255	-	-	-	-	-	739,490	-	-	764,745
-	-	-	-	31,813	-	-	-	-	31,813
-	-	-	-	-	-	-	-	385,953	385,953
<u>25,255</u>	<u>640</u>	<u>31,474</u>	<u>-</u>	<u>336,967</u>	<u>29</u>	<u>739,490</u>	<u>50,492</u>	<u>385,953</u>	<u>3,622,124</u>
-	-	-	2,850	-	-	60,352	(15,107)	(385,953)	(242,889)
-	-	-	450	-	-	208,954	24,684	494,218	978,920
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,306</u>	<u>\$ 9,577</u>	<u>\$ 108,265</u>	<u>\$ 736,031</u>

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		1		2	3	Variance with Final Budget
		Budgeted Amounts		Final	Actual	
		Original				
	REVENUES					
5700	Local and Intermediate Sources	\$ 800,000	\$ 800,000	\$ 770,609	\$ (29,391)	
5800	State Program Revenues	70,446	70,446	7,826	(62,620)	
5900	Federal Program Revenues	574,000	574,000	589,569	15,569	
5020	Total Revenues	<u>1,444,446</u>	<u>1,444,446</u>	<u>1,368,004</u>	<u>(76,442)</u>	
	EXPENDITURES					
0035	Food Services	1,444,446	1,444,446	1,273,035	171,411	
6030	Total Expenditures	<u>1,444,446</u>	<u>1,444,446</u>	<u>1,273,035</u>	<u>171,411</u>	
1200	Net Change in Fund Balance	-	-	94,969	94,969	
0100	Fund Balance - Beginning	250,614	250,614	250,614	-	
3000	Fund Balance - Ending	<u>\$ 250,614</u>	<u>\$ 250,614</u>	<u>\$ 345,583</u>	<u>\$ 94,969</u>	

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		1		2	3	Variance with Final Budget
		Budgeted Amounts				
		Original	Final	Actual		
	REVENUES					
5700	Local and Intermediate Sources	\$ 3,526,598	\$ 3,526,598	\$ 3,810,783	\$	284,185
5800	State Program Revenues	323,802	323,802	382,902		59,100
5020	Total Revenues	<u>3,850,400</u>	<u>3,850,400</u>	<u>4,193,685</u>		<u>343,285</u>
	EXPENDITURES					
0071	Principal and Long-Term Debt	1,579,999	1,579,999	1,579,999		-
0072	Interest on Long-Term Debt	1,516,692	1,516,693	1,516,693		-
0073	Bond Issuance Costs and Fees	5,600	18,051	16,751		1,300
6030	Total Expenditures	<u>3,102,291</u>	<u>3,114,743</u>	<u>3,113,443</u>		<u>1,300</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>748,109</u>	<u>735,657</u>	<u>1,080,242</u>		<u>344,585</u>
	OTHER FINANCING SOURCES					
8949	Payment to Refunding Escrow	-	(887,549)	(887,549)		-
7080	Total Other Financing Sources	<u>-</u>	<u>(887,549)</u>	<u>(887,549)</u>		<u>-</u>
1200	Net Change in Fund Balance	748,109	(151,892)	192,693		344,585
0100	Fund Balance - Beginning	<u>5,427,827</u>	<u>5,427,827</u>	<u>5,427,827</u>		<u>-</u>
3000	Fund Balance - Ending	<u>\$ 6,175,936</u>	<u>\$ 5,275,935</u>	<u>\$ 5,620,520</u>	<u>\$</u>	<u>344,585</u>



LA VERNIA

INDEPENDENT SCHOOL
DISTRICT

OTHER INFORMATION

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

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED JUNE 30, 2018

Year Ended August 31,	1		2		3	
	Tax Rates				Assessed/Appraised Value for School Tax Purposes*	
	Maintenance		Debt Service			
	\$	Various	\$	Various	\$	Various
2008 and Prior Years						
2009		1.0400		0.3880		566,785,708
2010		1.0400		0.3650		660,839,075
2011		1.0400		0.3650		686,750,035
2012		1.0400		0.3650		738,292,171
2013		1.0400		0.3550		769,360,000
2014		1.0400		0.3500		807,866,187
2015		1.0400		0.3400		842,125,362
2016		1.0400		0.3350		904,799,418
2017		1.0400		0.3550		970,265,591
2018 (School Year Under Audit)*		1.0400		0.3750		982,781,484

1000 Totals

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

*Represents net taxable value after applicable exemptions, freeze adjustments, and discounts.

EXHIBIT J-1

10 Beginning Balance 7/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/18
\$ 182,322	\$ -	\$ 3,825	\$ 1,321	\$ (28,799)	\$ 148,377
35,941	-	2,140	798	-	33,003
40,876	-	2,745	964	-	37,167
56,198	-	9,548	3,351	(1,146)	42,153
57,612	-	9,566	3,357	(1,285)	43,404
64,787	-	12,476	4,259	(1,497)	46,555
81,754	-	19,390	6,526	(2,863)	52,975
105,396	-	28,192	9,217	(4,133)	63,854
141,309	-	42,757	13,772	(8,846)	75,934
382,683	-	118,475	21,555	(51,290)	191,363
-	13,906,358	10,333,984	3,671,299	365,543	266,618
<u>\$ 1,148,878</u>	<u>\$ 13,906,358</u>	<u>\$ 10,583,098</u>	<u>\$ 3,736,419</u>	<u>\$ 265,684</u>	<u>\$ 1,001,403</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



LA VERNIA

INDEPENDENT SCHOOL
DISTRICT

COMPLIANCE SECTION



INDEPENDENT AUDITOR'S REPORT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees

La Vernia Independent School District

13600 US Hwy 87 West, La Vernia, TX 78121

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Vernia Independent School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise La Vernia Independent School District's basic financial statements, and have issued our report thereon dated October 26, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 La Vernia Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the District in a separate letter dated October 26, 2018.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

October 26, 2018



INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Trustees
La Vernia Independent School District
13600 US Hwy 87 West
La Vernia, TX 78121

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of La Vernia Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 La Vernia Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

The management of La Vernia Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered La Vernia Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 La Vernia Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

October 26, 2018

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Any material weaknesses identified? Yes X No

Any significant deficiencies identified? Yes X No

Noncompliance material to financial Statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

Any material weaknesses identified? Yes X No

Any significant deficiencies identified? Yes X No

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A, 84.173A	IDEA-B Cluster

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

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. Prior Audit Findings

NONE

LA VERNIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Texas Education Agency</i>			
Title I Part A- Improving Basic Programs	84.010A	18610101247903	\$ 279,993
IDEA-B Formula*	84.027A	186600012479036000	446,250
IDEA-B Preschool*	84.173A	186610012479036000	2,841
Title II Part A - Teacher & Principal Training & Recruiting	84.367A	18694501247903	39,748
Title IV, Part A - Student Support & Academic Enrichment	84.424A	18680101247903	9,957
Carl Perkins - SSA	84.048A	18420006247903	25,255
<i>Total Passed Through Texas Education Agency</i>			<u>804,044</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>804,044</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Texas Education Agency</i>			
School Breakfast Program*	10.553	71401801	77,020
National School Lunch*	10.555	71301801	401,567
<i>Total Passed Through Texas Education Agency</i>			<u>478,587</u>
<i>Passed Through Texas Department of Agriculture:</i>			
Commodities*#	10.555	247-903	110,982
<i>Total Passed Through Texas Department of Agriculture</i>			<u>110,982</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>589,569</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,393,613</u>

*Indicates clustered program under OMB Compliance Supplement

- Indicates Non-cash Assistance

Cluster Totals	
IDEA-B	449,091
Child Nutrition	589,569

LA VERNIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special revenue funds are used to account for resources restricted, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial measurement focus. All Federal grant funds were accounted for in the General Fund or Special Revenue Fund, which are Governmental Fund types. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenue in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

3. According to AAG-SLG Appendix D, Questions and Answers, most Medicaid arrangements between states and providers (SHARS) are contracts for services and not Federal assistance, they should not appear on the Schedule of Expenditures of Federal Awards.
4. The District has not elected to use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.
5. Reconciliation of the Schedule of Expenditures of Federal Awards to Exhibit C-2 is as follows:

Federal Program Revenues and Expenditures:	
General Fund	\$ 515,008
Special Revenue Fund	1,393,613
	1,908,621
Less:	
Shared Health and Related Services (SHARS)	(515,008)
	(515,008)
Total per Schedule of Expenditures of Federal Awards (See Exhibit K-1)	\$ 1,393,613

LA VERNIA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF JUNE 30, 2018

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any 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.	\$ 1,192,449
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 4,718,617
SF13	Net OPEB Liabilities (2545) at fiscal year-end.	\$ 9,298,125



LA VERNIA

INDEPENDENT SCHOOL
DISTRICT