

LINDALE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2018

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CERTIFICATE OF BOARD

Lindale Independent School District
Name of School District

Smith
County

212-903
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 August 31, 2018 at a meeting of the Board of Trustees of such school district on the 10 of December, 2018.

Ronny Williams
Signature of Board Secretary

Mike Lase
Signature of Board President

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



**UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION INCLUDING THE
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditors' Report

Board of Trustees
Lindale Independent School District
505 Pierce Street
Lindale, TX 75771

Members of the Board:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lindale Independent School District as of August 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements during fiscal year 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11, budgetary comparison information on page 54, schedule of the District's proportionate share of the net pension liability (TRS) on page 55, schedule of District contributions to TRS on page 56, schedule of the District's proportionate share of the OPEB liability (TRS) on page 57, and schedule of District contributions to TRS OPEB plan on page 58 to 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 Lindale Independent School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements 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 combining financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018, on our consideration of the Lindale 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 the Lindale Independent School District's internal control over financial reporting and compliance.



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

December 6, 2018

LINDALE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

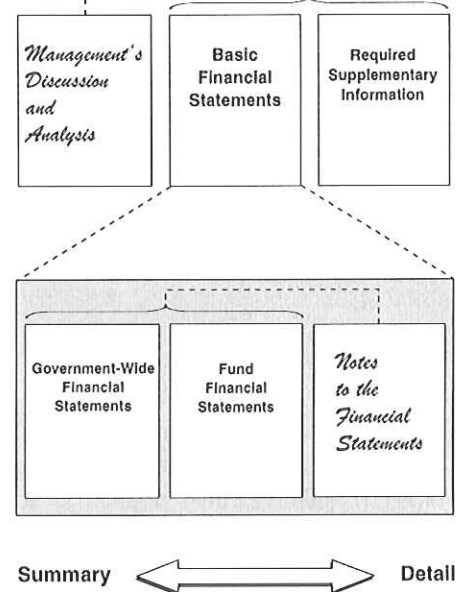
- The District's total combined net position was \$15,325,389 at August 31, 2018.
- During the year, the District's total General Fund balance increased by \$793,286 due to conservative budgeting, increase in property tax collection, increased enrollment, and cost saving practices.
- The District's M&O tax rate remained the same at \$1.08 and I&S rate remained the same at \$0.31.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements, notes to those statements, and other 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 Fund Statements tell how general government services were financed in the short term as well as what remains for future spending.
 - Proprietary Fund Statements offer financial information about the internal service fund used to report activities that provide services to organizations within the District.
 - Fiduciary Fund Statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the District's Annual Financial Report



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. Figure A-1 on page 5 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 (below) summarizes the major features of the District’s financial statements, including the portion of the District’s government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**FIGURE A-2
MAJOR FEATURES OF THE DISTRICT’S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

<i>Type of Statement</i>	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire District’s government (except fiduciary funds) and the District’s component units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: self-insurance	Instances in which the District is the trustee or agent for someone else’s resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency’s funds do not currently contain capital assets, although they can
<i>Type of flow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

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

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

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial 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 three types of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - We use internal service funds to report activities that provide supplies and services for the District's other programs and activities—such as the District's Workers Compensation Fund.
- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits other than Pension (OPEB)*. With GASB 75, the District must assume their proportionate share of the Net OPEB Liability of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB75 retroactively. The amount of the prior period adjustment is (\$20,417,269).

The Statement of Net Position includes the District's proportionate share of the Teacher Retirement System (TRS) net OPEB liability as a result of the implementation of GASB 75 in the current year 2018 only. The financials also reflect deferred outflows and inflows of resources to record the liability. The information is not available for the prior year 2017 financial statement.

Net position. The District's combined net position was \$15,325,389 at August 31, 2018.

Table I
Lindale Independent School District
NET POSITION

	Governmental Activities 2018	Governmental Activities 2017	Total \$ Change	Total % Change
Current and other assets	\$ 18,742,432	\$ 17,791,903	\$ 950,529	5.34%
Capital assets	68,632,820	70,518,139	(1,885,319)	-2.67%
Total assets	<u>87,375,252</u>	<u>88,310,042</u>	<u>(934,790)</u>	<u>-1.06%</u>
Deferred outflows of resources	<u>3,708,043</u>	<u>4,032,136</u>	<u>(324,093)</u>	<u>-8.04%</u>
Other liabilities	2,139,038	2,140,107	(1,069)	-0.05%
Long-term liabilities outstanding	50,760,434	53,913,992	(3,153,558)	-5.85%
TRS net pension liability	5,502,135	6,022,928	(520,793)	-8.65%
TRS net OPEB liability	<u>11,644,068</u>	<u>-</u>	<u>11,644,068</u>	<u>100.00%</u>
Total liabilities	<u>70,045,675</u>	<u>62,077,027</u>	<u>7,968,648</u>	<u>85.45%</u>
Deferred inflows of resources	<u>5,712,231</u>	<u>347,201</u>	<u>5,365,030</u>	<u>1545.22%</u>
Net position:				
Net investment in capital assets	18,931,337	17,823,202	1,108,135	6.22%
Restricted	2,859,725	2,763,368	96,357	3.49%
Unrestricted	<u>(6,465,673)</u>	<u>9,331,380</u>	<u>(15,797,053)</u>	<u>-169.29%</u>
Total net position	<u>\$ 15,325,389</u>	<u>\$ 29,917,950</u>	<u>\$ (14,592,561)</u>	<u>-48.78%</u>

Changes in net position. As shown on the following table, the District's total revenues were \$35,687,294. A significant portion of the District's revenue comes from property taxes and state aid. The total cost of all programs and services was \$29,862,586.

Governmental Activities

- Revenues from governmental fund types totaled \$35,687,294 a decrease of (13.61%) over the preceding year.
- Property tax assessment increased by 4.31% to \$1,357,867,664 with a rate of \$1.08 for maintenance and operation and a rate of \$0.31 for interest and sinking. State funding allotment also increased due to a rise in student ADA and state funding calculation of the Tier II formula.
- The cost of all governmental activities this year was \$29,862,586.
- The amount that our taxpayers paid for these activities through property taxes was \$18,841,578.
- Some of the cost was paid by those who directly benefited from the programs of \$1,022,633 or by operating grants and contributions of \$(2,177,615). The NECE negative on-behalf revenues and negative on-behalf expended of \$(5,893,230) impacted the reporting of operating grants and contributions and contributions related to expenses.

Table II
Lindale Independent School District
CHANGES IN NET POSITION

	Governmental Activities 2018	Governmental Activities 2017	Total Change	Total % Change
Revenues:				
Program Revenues:				
Charges for services	\$ 1,022,633	\$ 991,310	\$ 31,323	3.16%
Operating grants and contributions	(2,177,615)	4,417,937	(6,595,552)	-149.29%
General Revenues:				
Property taxes levied for General Purposes	14,544,283	13,951,762	592,521	4.25%
Property taxes levied for Debt Service	4,297,295	4,118,586	178,709	4.34%
Grants & contributions not restricted	17,220,393	17,199,250	21,143	0.12%
Investments earnings	356,377	207,855	148,522	71.45%
Other general revenues	405,122	420,553	(15,431)	-3.67%
Sale of Mineral Rights	18,806	-	18,806	100.00%
Total Revenues	<u>35,687,294</u>	<u>41,307,253</u>	<u>(5,619,959)</u>	<u>-13.61%</u>
Expenses:				
Instruction	15,693,670	21,738,923	(6,045,253)	-27.81%
Instructional Resources and Media Services	306,002	420,925	(114,923)	-27.30%
Curriculum and Staff Development	245,550	330,303	(84,753)	-25.66%
Instructional and School Leadership	1,704,229	2,300,612	(596,383)	-25.92%
Guidance, Counseling and Evaluation Services	843,548	1,394,471	(550,923)	-39.51%
Social Work Services	1,523	1,081	442	40.89%
Health Services	273,585	428,575	(154,990)	-36.16%
Student (Pupil) Transportation	994,706	1,256,048	(261,342)	-20.81%
Food Services	2,172,565	2,023,818	148,747	7.35%
Cocurricular/Extracurricular Activities	1,408,739	1,858,344	(449,605)	-24.19%
General Administration	744,395	1,193,384	(448,989)	-37.62%
Plant Maintenance and Operations	3,259,467	3,987,009	(727,542)	-18.25%
Security and Monitoring Services	157,386	217,448	(60,062)	-27.62%
Data Processing Services	125,085	155,674	(30,589)	-19.65%
Community Service	11,495	5,608	5,887	104.98%
Debt Service	1,592,385	1,181,017	411,368	34.83%
Payments to Fiscal Agents/Member Districts of SSA	42,530	40,479	2,051	5.07%
Payments to Juvenile Justice Alternative Ed. Prg.	2,563	3,573	(1,010)	-28.27%
Other Intergovernmental Charges	283,163	266,975	16,188	6.06%
Total Expenses	<u>29,862,586</u>	<u>38,804,267</u>	<u>(8,941,681)</u>	<u>-23.04%</u>
Increase (Decrease) in Net Position	5,824,708	2,502,986	3,321,722	132.71%
Net Position Beginning of Year	29,917,950	27,414,964	2,502,986	9.13%
Prior Period Adjustment	(20,417,269)	-	(20,417,269)	-100.00%
Net Position End of Year	<u>\$ 15,325,389</u>	<u>\$ 29,917,950</u>	<u>\$ (14,592,561)</u>	<u>-48.78%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Our analysis focuses on the net changes in fund balances (Table III) of the District's governmental funds.

Table III
Lindale Independent School District
NET CHANGES IN FUND BALANCES

	Governmental Funds 2018	Governmental Funds 2017	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 20,608,276	\$ 19,646,795	\$ 961,481	4.89%
State Program Revenues	18,589,464	18,317,016	272,448	1.49%
Federal Program Revenues	3,026,925	3,023,638	3,287	0.11%
Total Revenues	<u>42,224,665</u>	<u>40,987,449</u>	<u>1,237,216</u>	<u>3.02%</u>
Expenditures:				
Instruction	20,947,191	19,551,012	1,396,179	7.14%
Instructional resources & media services	368,417	379,729	(11,312)	-2.98%
Curriculum and instructional staff development	316,776	298,532	18,244	6.11%
Instructional and school leadership	2,132,046	2,083,932	48,114	2.31%
Guidance, counseling & evaluation services	1,274,637	1,259,154	15,483	1.23%
Social work and health services	412,363	385,990	26,373	6.83%
Student (pupil) transportation	1,570,871	1,327,052	243,819	18.37%
Food services	1,808,244	1,838,193	(29,949)	-1.63%
Extracurricular activities	1,715,972	1,717,553	(1,581)	-0.09%
General administration	1,077,175	1,096,189	(19,014)	-1.73%
Facilities maintenance & operations	3,753,753	3,684,999	68,754	1.87%
Security & monitoring services	232,950	209,853	23,097	11.01%
Data processing services	151,469	140,603	10,866	7.73%
Community service	12,267	7,727	4,540	58.76%
Debt service	4,592,985	4,996,930	(403,945)	-8.08%
Facilities acquisition and construction	679,561	880,772	(201,211)	-22.84%
Payments to fiscal agent/member of SSA	42,530	40,479	2,051	5.07%
Payments to juvenile justice alternative ed. prg.	2,563	3,573	(1,010)	-28.27%
Other intergovernmental charges	283,163	266,975	16,188	6.06%
Total Expenditures	<u>41,374,933</u>	<u>40,169,247</u>	<u>1,205,686</u>	<u>3.00%</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	849,732	818,202	31,530	3.85%
Other Financing Sources (Uses)	<u>18,806</u>	<u>142,580</u>	<u>(123,774)</u>	<u>-86.81%</u>
Net Change in Fund Balances	868,538	960,782	(92,244)	-9.60%
Fund Balance - Beginning of Year				
	<u>14,258,842</u>	<u>13,298,060</u>	<u>263,026</u>	<u>1.98%</u>
Fund Balance - End of Year	<u><u>\$ 15,127,380</u></u>	<u><u>\$ 14,258,842</u></u>	<u><u>\$ 868,538</u></u>	<u><u>6.09%</u></u>

General Fund Budgetary Highlights

Over the course of the year, the District increased its budgeted expenditures several times. The District's General Fund's budgeted balance decreased (\$711,000) during the year ended August 31, 2018. This decrease is largely due to budget increases in expenditures instruction activities and facilities acquisition and construction, netted against increases in local and state program revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had \$68,632,820 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of (\$1,885,319) due to capital asset additions being less than depreciation.

More detailed information about the District's capital asset activity is presented in Note H to the financial statements.

Long Term Debt

At year-end, the District had \$45,509,212 in bonds outstanding versus \$48,534,212 last year. The decrease is due to the maturity and payment of several bond issues during the year ended August 31, 2018. Proceeds from the bonds issued in prior years have been and will continue to be used to construct school facilities.

More detailed information about the District's long-term liabilities is presented in Notes I and J to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Net taxable property values used for the 2018-2019 budget preparation increased 5.1% over the prior year values. The maintenance and operations tax rate remained constant at \$1.08 and the interest and sinking tax rate also remained the same at \$0.31.
- The District's 2018-2019 refined average daily attendance is expected to increase slightly by approximately 3%.

These indicators were taken into account when adopting the General Fund budget for 2018-2019. Amounts available for appropriation in the General Fund budget are \$34,052,525, a decrease of \$619,436 over the final 2017-2018 budget. The decrease is due to land purchases and no such purchases are planned for 2018-2019. Property tax revenue will increase due to increased property values. State revenue will increase due to increases in student refined average daily attendance. The largest expenditure increases will be for employee pay raises.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase slightly at the close of 2018-2019. The Board of Trustees has carefully planned to maintain the three month operating costs fund balance as suggested by TEA.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Office at (903) 881-4000.

BASIC FINANCIAL STATEMENTS

LINDALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 17,087,580
1220 Property Taxes - Delinquent	936,886
1230 Allowance for Uncollectible Taxes	(4,122)
1240 Due from Other Governments	665,650
1290 Other Receivables, Net	23,062
1300 Inventories	30,428
1410 Prepayments	2,948
Capital Assets:	
1510 Land	3,273,948
1520 Buildings and Improvements, Net	62,477,818
1530 Furniture and Equipment, Net	1,429,677
1550 Leased Property Under Capital Leases, Net	1,214,540
1580 Construction in Progress	236,837
1000 Total Assets	87,375,252
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding, Net	905,191
1705 Deferred Outflow Related to TRS Pension	2,605,985
1706 Deferred Outflow Related to TRS OPEB	196,867
1700 Total Deferred Outflows of Resources	3,708,043
LIABILITIES	
2110 Accounts Payable	150,779
2140 Accrued Interest Payable	69,490
2150 Payroll Deductions and Withholdings	1,851
2160 Accrued Wages Payable	1,732,091
2180 Due to Other Governments	49,207
2200 Accrued Expenses	38,809
2300 Unearned Revenue	96,811
Noncurrent Liabilities:	
2501 Due Within One Year	1,885,205
2502 Due in More Than One Year	48,875,229
2540 Net Pension Liability (District's Share)	5,502,135
2545 Net OPEB Liability (District's Share)	11,644,068
2000 Total Liabilities	70,045,675
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflow Related to TRS Pension	841,495
2606 Deferred Resource Inflow Related to TRS OPEB	4,870,736
2600 Total Deferred Inflows of Resources	5,712,231
NET POSITION	
3200 Net Investment in Capital Assets	18,931,337
3820 Restricted for Federal and State Programs	154,738
3850 Restricted for Debt Service	2,635,666
3890 Restricted for Other Purposes	69,321
3900 Unrestricted	(6,465,673)
3000 Total Net Position	\$ 15,325,389

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

LINDALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 15,693,670	\$ 39,529	\$ (1,767,729)	\$ (17,421,870)
12 Instructional Resources and Media Services	306,002	25,613	(50,189)	(330,578)
13 Curriculum and Instructional Staff Development	245,550	-	(27,711)	(273,261)
21 Instructional Leadership	305,125	-	(61,224)	(366,349)
23 School Leadership	1,399,104	-	(265,648)	(1,664,752)
31 Guidance, Counseling and Evaluation Services	843,548	-	(73,994)	(917,542)
32 Social Work Services	1,523	-	-	(1,523)
33 Health Services	273,585	-	(70,201)	(343,786)
34 Student (Pupil) Transportation	994,706	-	(246,137)	(1,240,843)
35 Food Services	2,172,565	582,588	1,063,623	(526,354)
36 Extracurricular Activities	1,408,739	374,903	(145,118)	(1,178,954)
41 General Administration	744,395	-	(135,276)	(879,671)
51 Facilities Maintenance and Operations	3,259,467	-	(355,478)	(3,614,945)
52 Security and Monitoring Services	157,386	-	(32,222)	(189,608)
53 Data Processing Services	125,085	-	(15,324)	(140,409)
61 Community Services	11,495	-	5,013	(6,482)
72 Debt Service - Interest on Long-Term Debt	1,588,978	-	-	(1,588,978)
73 Debt Service - Bond Issuance Cost and Fees	3,407	-	-	(3,407)
93 Payments Related to Shared Services Arrangements	42,530	-	-	(42,530)
95 Payments to Juvenile Justice Alternative Ed. Prg.	2,563	-	-	(2,563)
99 Other Intergovernmental Charges	283,163	-	-	(283,163)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 29,862,586	\$ 1,022,633	\$ (2,177,615)	(31,017,568)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	14,544,282
DT	Property Taxes, Levied for Debt Service	4,297,295
GC	Grants and Contributions not Restricted	17,220,393
IE	Investment Earnings	356,377
MI	Miscellaneous Local and Intermediate Revenue	405,122
S1	Special Item -	18,806
TR	Total General Revenues and Special Items	36,842,275
CN	Change in Net Position	5,824,707
NB	Net Position - Beginning	29,917,951
PA	Prior Period Adjustment	(20,417,269)
NE	Net Position--Ending	\$ 15,325,389

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

LINDALE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 13,776,172	\$ 2,535,142	\$ 235,635	\$ 16,546,949
1220 Property Taxes - Delinquent	723,046	213,840	-	936,886
1230 Allowance for Uncollectible Taxes	(3,181)	(941)	-	(4,122)
1240 Due from Other Governments	305,395	6,322	353,933	665,650
1260 Due from Other Funds	-	-	29,503	29,503
1290 Other Receivables	-	-	23,062	23,062
1300 Inventories	-	-	30,428	30,428
1410 Prepayments	2,948	-	-	2,948
1000 Total Assets	<u>\$ 14,804,380</u>	<u>\$ 2,754,363</u>	<u>\$ 672,561</u>	<u>\$ 18,231,304</u>
LIABILITIES				
2110 Accounts Payable	\$ 91,992	\$ -	\$ 5,896	\$ 97,888
2150 Payroll Deductions and Withholdings Payable	1,851	-	-	1,851
2160 Accrued Wages Payable	1,585,990	-	146,101	1,732,091
2170 Due to Other Funds	154,503	-	-	154,503
2180 Due to Other Governments	-	49,207	-	49,207
2200 Accrued Expenditures	29,204	-	9,605	38,809
2300 Unearned Revenue	26,350	-	70,461	96,811
2000 Total Liabilities	<u>1,889,890</u>	<u>49,207</u>	<u>232,063</u>	<u>2,171,160</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	719,865	212,899	-	932,764
2600 Total Deferred Inflows of Resources	<u>719,865</u>	<u>212,899</u>	<u>-</u>	<u>932,764</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	30,428	30,428
3430 Prepaid Items	2,948	-	-	2,948
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	154,738	154,738
3480 Retirement of Long-Term Debt	-	2,492,257	-	2,492,257
3490 Other Restricted Fund Balance	-	-	35,945	35,945
Committed Fund Balance:				
3530 Capital Expenditures for Equipment	300,000	-	-	300,000
3545 Other Committed Fund Balance	-	-	219,387	219,387
Assigned Fund Balance:				
3550 Construction	2,000,000	-	-	2,000,000
3590 Other Assigned Fund Balance	455,563	-	-	455,563
3600 Unassigned Fund Balance	9,436,114	-	-	9,436,114
3000 Total Fund Balances	<u>12,194,625</u>	<u>2,492,257</u>	<u>440,498</u>	<u>15,127,380</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 14,804,380</u>	<u>\$ 2,754,363</u>	<u>\$ 672,561</u>	<u>\$ 18,231,304</u>

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

LINDALE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	15,127,380
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		612,740
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$106,805,054 and the accumulated depreciation was (\$36,286,915). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, these long-term liabilities totaled (\$53,913,992). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position. Note: Beginning Balances related to TRS are NOT included in this amount.		16,604,147
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to increase net position.		4,447,095
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$2,605,985, a deferred resource inflow in the amount of (\$841,495), and a net pension liability in the amount of (\$5,502,135). This resulted in a (decrease) in net position.		(3,737,645)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$196,867, a deferred resource inflow in the amount of (\$4,870,736), and a net OPEB liability in the amount of (\$11,644,068). This resulted in a (decrease) in net position.		(16,317,937)
6 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(3,059,760)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		1,649,369
19 Net Position of Governmental Activities	\$	15,325,389

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

LINDALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 15,347,325	\$ 4,299,589	\$ 961,362	\$ 20,608,276
5800 State Program Revenues	18,255,444	177,017	157,003	18,589,464
5900 Federal Program Revenues	411,969	-	2,614,956	3,026,925
5020 Total Revenues	<u>34,014,738</u>	<u>4,476,606</u>	<u>3,733,321</u>	<u>42,224,665</u>
EXPENDITURES:				
Current:				
0011 Instruction	19,128,131	-	1,819,060	20,947,191
0012 Instructional Resources and Media Services	349,611	-	18,806	368,417
0013 Curriculum and Instructional Staff Development	315,671	-	1,105	316,776
0021 Instructional Leadership	416,174	-	56	416,230
0023 School Leadership	1,700,378	-	15,438	1,715,816
0031 Guidance, Counseling and Evaluation Services	1,163,114	-	111,523	1,274,637
0032 Social Work Services	1,800	-	-	1,800
0033 Health Services	410,563	-	-	410,563
0034 Student (Pupil) Transportation	1,570,379	-	492	1,570,871
0035 Food Services	27,356	-	1,780,888	1,808,244
0036 Extracurricular Activities	1,698,475	-	17,497	1,715,972
0041 General Administration	1,066,350	-	10,825	1,077,175
0051 Facilities Maintenance and Operations	3,749,039	-	4,714	3,753,753
0052 Security and Monitoring Services	228,849	-	4,101	232,950
0053 Data Processing Services	151,469	-	-	151,469
0061 Community Services	-	-	12,267	12,267
Debt Service:				
0071 Principal on Long-Term Debt	247,654	3,025,000	-	3,272,654
0072 Interest on Long-Term Debt	7,428	1,309,496	-	1,316,924
0073 Bond Issuance Cost and Fees	-	3,407	-	3,407
Capital Outlay:				
0081 Facilities Acquisition and Construction	679,561	-	-	679,561
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	42,530	-	-	42,530
0095 Payments to Juvenile Justice Alternative Ed. Prg.	2,563	-	-	2,563
0099 Other Intergovernmental Charges	283,163	-	-	283,163
6030 Total Expenditures	<u>33,240,258</u>	<u>4,337,903</u>	<u>3,796,772</u>	<u>41,374,933</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	774,480	138,703	(63,451)	849,732
SPECIAL ITEMS:				
7918 Sale of Mineral Rights	18,806	-	-	18,806
1200 Net Change in Fund Balances	793,286	138,703	(63,451)	868,538
0100 Fund Balance - September 1 (Beginning)	<u>11,401,339</u>	<u>2,353,554</u>	<u>503,949</u>	<u>14,258,842</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 12,194,625</u>	<u>\$ 2,492,257</u>	<u>\$ 440,498</u>	<u>\$ 15,127,380</u>

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

LINDALE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	868,538
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		58,480
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to increase net position.		4,447,095
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net position.		(3,059,760)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.		(256,751)
GASB 68 required that certain plan expenditures be de-expended and recorded as a deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$605,974. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a (decrease) in net position totaling (\$563,972). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (decreased) the change in net position by (\$374,229). The net result is a (decrease) in the change in net position.		(332,227)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$195,045. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a (decrease) in net position totaling (\$139,746). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by \$4,044,033. The net result is an increase in the change in net position.		4,099,332
Change in Net Position of Governmental Activities	\$	5,824,707

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

LINDALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 540,631
Due from Other Funds	125,000
Total Assets	665,631
LIABILITIES	
Current Liabilities:	
Accounts Payable	4,683
Unpaid Claims	48,208
Total Liabilities	52,891
NET POSITION	
Unrestricted Net Position	612,740
Total Net Position	\$ 612,740

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

LINDALE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 135,101
Total Operating Revenues	135,101
OPERATING EXPENSES:	
Professional and Contracted Services	76,620
Total Operating Expenses	76,620
Operating Income	58,481
Total Net Position - September 1 (Beginning)	554,259
Total Net Position - August 31 (Ending)	\$ 612,740

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

LINDALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 10,101
Cash Payments for Insurance Claims	(109,819)
Net Cash Used for Operating Activities	(99,718)
Net Decrease in Cash and Cash Equivalents	(99,718)
Cash and Cash Equivalents at Beginning of Year	640,349
Cash and Cash Equivalents at End of Year	\$ 540,631
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income:	\$ 58,481
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(125,000)
Increase (decrease) in Accounts Payable	(33,199)
Net Cash Used for Operating Activities	\$ (99,718)

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

LINDALE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 273,344
Due from Other Governments	3,574
Total Assets	<u>\$ 276,918</u>
LIABILITIES	
Accounts Payable	\$ 680
Due to Student Groups	276,238
Total Liabilities	<u>\$ 276,918</u>

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

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

Note A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lindale Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (Board), which are elected by eligible registered voters. The District prepares its basic financial statements in conformity with United States generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement on Auditing Standards No. 76* of the American Institute of Certified Public Accountants, and it complies with the requirements of the appropriate version of Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

1. REPORTING ENTITY

The Board is elected by the public, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units that are material to the reporting entity, and none are included in the financial statements.

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

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

Lindale Independent School District implemented Governmental Accounting Standards Board (GASB) Number 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)* to assume its proportionate share of the Net Postemployment Benefits other than Pensions Liability of the Teachers Retirement System of Texas (TRS) in the current year.

Lindale Independent School District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Program revenues include "charges for services" and "grants and contributions." The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. Non-program revenues are considered general revenue available to support all of the District's functions. Taxes are always general revenues. In the government-wide statements, indirect expenses (like depreciation) are allocated to functions based on the character of the expense.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. For the most part, the effect of interfund activity has been removed from the government-wide statements, although interfund services provided and used are not eliminated in the process of consolidation.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Agency funds, however, are unlike all types of other funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues "available" if they will be collected within 60 days of the end of the fiscal year.

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.

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Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position.

4. FUND ACCOUNTING

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses.

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. Major revenue sources include local property taxes, state funding under the Foundation School Program, and Medicaid reimbursement. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.
- **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund which is a budgeted fund. Revenues include collections on property taxes and earnings on investments of the fund. The fund balance represents amounts that will be used for retirement of bonds and payment of interest in the future.

Additionally, the District reports the following fund types:

Governmental Funds:

- **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance are accounted for in a special revenue fund. Sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds:

- **Internal Service Funds** - These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements. The District's Internal Service Fund is Workers' Compensation and is not a budgeted fund.

Fiduciary Funds:

- **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. Fiduciary funds are reported in the fiduciary fund financial statements. However, because these assets are not available to support District programs, these funds are not included in the government-wide statements. The District's agency funds include the Student Activity Fund and the Lindale Education Foundation.

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5. FUND BALANCE CLASSIFICATION

During fiscal year ending 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications, as reported on Exhibit C-1, describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Board, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint. The District has committed \$300,000 for equipment and \$219,387 for campus activity funds as of August 31, 2018.

Assigned fund balance – amounts the Board intends to use for a specific purpose. Intent can be expressed by the Superintendent or Director of Finance, through which the Board has delegated the authority. The District has assigned \$2,000,000 for future roof repair expenditures and 455,563 for encumbrances as of August 31, 2018.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, (such as for the purchase of fixed assets, construction, debt service, or for other purposes), the Board designated the authority to the Superintendent and Director of Finance.

In the General Fund, the District's goal is to maintain sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The District strives to maintain a yearly fund balance in the General Fund in which the total fund balance is equal to the unassigned fund balance plus the committed fund balance. The unassigned fund balance shall be equal to at least two months of the total operating expenditures. The ending unassigned fund balance as of August 31, 2018, exceeds two months of total operating expenditures.

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

6. CASH AND CASH EQUIVALENTS

The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased. See Note D for more detail on deposits and investments.

7. INVENTORIES

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program.

LINDALE INDEPENDENT SCHOOL DISTRICT
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Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

8. LONG-TERM DEBT

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Bond issuance costs are expensed as incurred.

In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

9. USE OF ESTIMATES

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

10. CAPITAL ASSETS

Capital assets, which include land, buildings, furniture, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 and more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Land and construction in progress, if any, are not depreciated.

Buildings, furniture, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (in years)
Buildings and Expansions	50
Building Improvements	20
Vehicles	8
Office Equipment	5
Computer Equipment	5
Large Equipment	12

11. COMPENSATED ABSENCES

It is the District's policy to permit some employees to accumulate earned but unused sick pay benefits. The liability for accumulated unpaid sick leave benefits is reported as a Noncurrent Liability in the Statement of Net Position. See Note I for a summary of changes in the accumulated sick leave liability.

LINDALE INDEPENDENT SCHOOL DISTRICT
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12. INTERNAL SERVICE FUND

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the District as a whole.

13. GRANT REVENUE

The District has reported restricted assets in the instance of grants received for restricted purposes.

14. INTERFUND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

15. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year’s budget.

16. RESTRICTED AND UNRESTRICTED ASSETS

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

17. DATA CONTROL CODES

The Data Control Codes refer to the account code structure prescribed by TEA in the *Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

18. FUNCTIONS

School Districts are required to report all expenses by function, except certain indirect expenses. General administration, data processing service and other intergovernmental charges functions (Data control codes 41, 53 and 99, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

LINDALE INDEPENDENT SCHOOL DISTRICT
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19. DEERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

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

NOTE B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position - Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position.

The details for one element is as follows:

	Amount	Adjustments to Net Position
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Taxes collected from prior year levies	591,363	
Uncollected taxes (assumed collectible) from current year levy	341,401	
Total Adjustments to Net Position		932,764
 <u>Adjustments Associated with Long-Term Debt</u>		
(Increase) in compensated absences	(2,130)	
Interest accrued on bonds payable for current year	(69,490)	
Amortization of accretion on bond payable, net of payment	(552,574)	
Amortization of premium/discount for current year	435,608	
Deferred charge on refunding, beginning of year	1,067,425	
Amortization of deferred charge on refunding for current year	(162,234)	
Total Adjustments to Net Position		716,605
Net Adjustments to Net Position - Increase		1,649,369

LINDALE INDEPENDENT SCHOOL DISTRICT
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Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities - Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities.

The details for one element is as follows:

	Amount	Adjustments to Changes in Net Position
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Taxes collected from prior year levies	(323,968)	
Uncollected taxes (assumed collectible) from current year levy	341,401	
Total Adjustments to Changes in Net Position		17,433
 <u>Adjustments Associated with Long-Term Debt</u>		
(Increase) in compensated absences	(2,130)	
(Increase) in accrued interest payable	7,146	
Interest expense accreted on CAB bonds for current year	(552,574)	
Amortization of premium/discount for current year	435,608	
Amortization of deferred charge on refunding for current year	(162,234)	
Total Adjustments to Changes in Net Position		(274,184)
Net Adjustments to Changes in Net Position - (Decrease)		(256,751)

Note C. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports appear in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

LINDALE INDEPENDENT SCHOOL DISTRICT
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Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.

The following budget amendments were significant:

General Fund:

Increase in Revenues - Local and Intermediate Sources	358,692
Increase in Revenues - State Program Revenues	591,000
Increase in Revenues - Federal Sources	60,000
(Increase) in Expenditures - Instruction (11)	(697,867)
Decrease in Expenditures - Instructional Resources (12)	20,800
(Increase) in Expenditures - Staff Development (13)	(4,324)
Decrease in Expenditures - Instructional Leadership (21)	937
Decrease in Expenditures - School Leadership (23)	20,758
(Increase) in Expenditures - Guidance and Counseling (31)	(3,000)
(Increase) in Expenditures - Social Services (32)	(5,000)
Decrease in Expenditures - Health Services (33)	319,074
(Increase) in Expenditures - Co Curricular (36)	(333,150)
Decrease in Expenditures - General Administration (41)	27,080
Decrease in Expenditures - Maintenance and Operation (51)	22,000
(Increase) in Expenditures - Security and Monitoring (52)	(10,000)
(Increase) in Expenditures - Construction and Acquisition (81)	(1,098,000)
Decrease in Expenditures - Payments to Fiscal Agents (93)	7,000
(Increase) in Expenditures - Payments to Other Governmental Entities (99)	(6,000)
Increase in Special Items - Sale of Mineral Rights	19,000
	<u>(711,000)</u>

Debt Service:

Increase in Revenues - Local and Intermediate Sources	75,000
Increase in Revenues - State Program Revenues	35,000
	<u>110,000</u>

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

The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures in excess of NSLP, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

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A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	8/31/2018 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	185,166
Nonappropriated Budget Funds	255,332
All Nonmajor Governmental Special Revenue Funds	440,498

NOTE D. DEPOSITS AND INVESTMENTS

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

The District's cash deposits at August 31, 2018 and during the year were entirely covered by FDIC insurance or pledged securities purchased by the depository bank in the District's name.

The Public Funds Investment Act (Government Code Chapter 2256) (the Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2018, Lindale Independent School District had the following investments:

Investment Type	Investment Maturities (in years)				
	Fair Value*	Less than 1	1-5	6-10	More than 10
Investment Pools **					
Lone Star ***	2,782,918	2,782,918	-	-	-
Total	2,782,918	2,782,918	-	-	-

*Fair value is the amount at which a security could be exchanged in a current transaction between willing parties, other than in a forced liquidation. Under GASB 31, all investments are recorded at fair value.

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**Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

***Investments in local government pool are based upon a contract and not the security itself. The above investment pools, which are regulated by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of \$1.00.

Lone Star Investment Pool (Pool) was organized in 1991 in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is administered by First Public, formerly known as Texas Association of School Boards Financial Services. The Pool is governed by an 11-member board, all of whom are participants in the Pool.

Policies Governing Deposits and Investments

In compliance with the Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk: The District does not have any deposits or investments denominated in a foreign currency.

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District requires investments to be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during the 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio.

Interest Rate Risk: To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires any internally created pool fund group of the District to have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District may not exceed one year from the time of purchase. All of the District's investments at August 31, 2017, had a maturity of one year or less.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, the Pool invests only in investments authorized under the Act. As of August 31, 2017, the Pool's investments credit quality rating was AAA (Standard & Poor's).

NOTE E. 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 located in the District in conformity with Subtitle E, Texas Property Tax Code. The assessed value of the roll on January 1, 2017 upon which the levy for the 2018 fiscal year was based was \$1,357,867,664. The tax rate levied for the year ended August 31, 2018 to finance General Fund operations and the payment of principal and interest on general obligations long-term debt were \$1.0800 and \$0.31 per \$100 per valuation, respectively, for a total of \$1.39 per \$100 valuation.

LINDALE INDEPENDENT SCHOOL DISTRICT
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NOTE F. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance (General Fund) and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Fund are based on 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.

NOTE G. DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables at August 31, 2018, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due from Other Funds</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	723,046	305,395	-		1,028,441
Debt Service	213,840	6,322	-		220,162
Nonmajor Governmental Funds (Special Revenue)	-	353,933	29,503	23,062	406,498
Total - Governmental Activities	<u>936,886</u>	<u>665,650</u>	<u>29,503</u>	<u>23,062</u>	<u>1,655,101</u>
Amounts not scheduled for collection during the subsequent year	<u>(4,122)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,122)</u>
Proprietary Activities:					
Internal Service Fund			125,000		125,000

Payables at August 31, 2018, were as follows:

	<u>Accounts Payable</u>	<u>Salaires/ Benefits</u>	<u>Due to Other Funds</u>	<u>Other Governments</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	91,992	1,617,045	154,503		1,863,540
Debt Service Fund	-	-	-	49,207	49,207
Nonmajor Governmental Funds (Special Revenue)	5,896	155,706	-	-	161,602
Total - Governmental Activities	<u>97,888</u>	<u>1,772,751</u>	<u>154,503</u>	<u>49,207</u>	<u>2,074,349</u>
Proprietary Activities:					
Internal Service Fund	<u>52,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,891</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
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NOTE H. CAPITAL ASSET ACTIVITY

During the year the District purchased several capital assets, including a 2018 Ford truck, two police vehicles, three 2018 buses, a 2018 Ford Expedition, a steamer, a cargo trailer, an intercom system for the Junior High, and two saxophones. The District purchased 8.82 acres of land for \$275,297 and a new building for \$167,427. The District disposed of an embroidery machine, a phone system, a police vehicle, two buses, and a Ford Van.

The District signed a construction contract in the amount of \$548,600 with McKinley Roofing for roofing improvements. As of August 31, 2018, the District had incurred \$90,505 of the contract price, which is reflected in construction in progress. The District also paid \$146,332 to architects regarding the roofing improvements, which is also reflected in construction in progress.

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Land	2,998,651	275,297	-	3,273,948
Building and Improvements	93,440,873	167,427	-	93,608,300
Furniture and Equipment	7,255,080	494,880	(117,285)	7,632,675
Construction in Progress	-	236,837	-	236,837
Assets under capital lease	3,110,450	-	-	3,110,450
Totals at Historic Cost	<u>106,805,054</u>	<u>1,174,441</u>	<u>(117,285)</u>	<u>107,862,210</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	28,887,209	2,243,273	-	31,130,482
Furniture and Equipment	5,503,796	544,512	(117,285)	5,931,023
Assets under capital lease	1,895,910	271,975	-	2,167,885
Total Accumulated Depreciation	<u>36,286,915</u>	<u>3,059,760</u>	<u>(117,285)</u>	<u>39,229,390</u>
Governmental Activities, Net:				
Land	2,998,651	275,297	-	3,273,948
Building and Improvements, Net	64,553,664	(2,075,846)	-	62,477,818
Furniture and Equipment, Net	1,751,284	(49,632)	-	1,701,652
Construction in Progress	-	236,837	-	236,837
Assets under capital lease Net	1,214,540	-	-	1,214,540
Capital Assets, Net	<u>70,518,139</u>	<u>(1,613,344)</u>	<u>-</u>	<u>68,904,795</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction	1,843,718
Instructional Resources and Media Services	30,564
Curriculum and Instructional Staff Development	982
Instructional Leadership	31,652
School Leadership	294,309
Student (Pupil) Transportation	115,630
Food Services	626,343
Cocurricular/Extracurricular Activities	11,083
Facilities Maintenance and Operations	99,250
Security and Monitoring Services	5,478
Data Processing Services	751
Total Depreciation Expense	<u>3,059,760</u>

NOTE I. LONG-TERM OBLIGATIONS

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District. There are a number of limitations and restriction contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2018.

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

	Beginning Balance		Additions		Reductions		Ending Balance	Due Within One Year
Bonds payable	\$48,534,212			(a)	(\$3,025,000)		\$45,509,212	\$1,635,100
CAB accreted interest	1,227,629	(b)	552,574				1,780,203	
Premium and discount on issuance costs	3,250,180				(435,608)		2,814,572	
Capital leases	750,341				(247,654)		502,687	250,105
Other Liabilities:								
Compensated absences	151,630		2,130				153,760	
TRS Net Pension Liability	6,022,928		43,179		(563,972)		5,502,135	
TRS Net OPEB Liability	<u>20,557,015</u>		<u>(8,773,736)</u>		<u>(139,211)</u>		<u>11,644,068</u>	
Total	<u>\$80,493,935</u>		<u>(8,175,853)</u>		<u>(4,411,445)</u>		<u>\$67,906,637</u>	<u>\$1,885,205</u>

(a) Principal bond payments totaling \$3,025,000

(b) Accreted interest payment on Capital Appreciation Bond totaling \$552,574

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Bonds Payable

Bonded indebtedness of the District is reflected in the Statement of Net Position. The following is a summary of bonds payable outstanding at August 31, 2018:

Title of Issue	Maturity Date	Interest Rates	Amount Outstanding
Series 2005 Capital Appreciation Bond	2/15/2019	0.00%	\$ 119
Series 2010 Tax School Building and Refunding Bonds	2/15/2040	2.00-5.40%	32,095,000
Series 2015 Tax School Refunding Bonds	2/15/2023	2.00%	7,755,000
Series 2017 Unlimited Tax School Refunding Bonds	2/15/2030	0.00%	5,659,093
Total			<u>45,509,212</u>

On August 15, 2017, the District issued \$5,659,093 of Unlimited Tax Refunding Bonds, Series 2017 issued to redeem Unlimited Tax School Building Capital Appreciation Bonds, Series 2011 in the amount of \$5,659,156 representing the original principal amount of the Bonds of \$5,659,003, plus an issue premium of \$2,480,671. The Series 2017 is comprised of Capital Appreciation Bonds.

In the governmental fund financial statements, the current expenditures for principal and interest expenditures are accounted for in the Debt Service Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance. During the year ended August 31, 2018, the District paid \$3,025,000 in principal, \$1,309,496 in interest (net of tax credit), and \$3,407 in fees. During the year ended August 31, 2017, bond proceeds for refunding the Unlimited Tax School Building Capital Appreciation Bonds, Series 2011 were accounted for in the Debt Service Fund as other financing sources in the amount of \$5,659,093 capital related debt issued and \$2,480,671 premium/discount on issuance bonds. The outstanding principal refunded on the Series 2011 bond was \$5,659,156 and payment on Capital Appreciation Bond was \$1,399,404. The escrow payment of \$7,997,184 was accounted for in the Debt Service Fund as other financing uses. The funds were deposited in a trust with an escrow agent to provide all future debt service payments on the Series 2011 bonds when called on February 15, 2020. As a result, the Unlimited Tax School Building Bonds, Series 2011 is considered defeased and the District has removed the liability from its financial statements.

The advance refunding reduced total debt service payments over the next 12 years by approximately \$875,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$690,246.

In the government-wide financial statements, bonded indebtedness of the District is reflected in the Statement of Net Position. Premium/discount on issuance of bonds, net of accumulated amortization, totaled \$2,814,572 at August 31, 2018. During the year ended August 31, 2018 bond premium/discount proceeds are deferred and amortized over the life of the bonds. Amortization of \$435,608 is reflected in the Statement of Activities for the year ended August 31, 2018. Interest expense accreted of \$552,574 on the CAB Bonds is reflected in the Statement of Activities for the year ended August 31, 2018.

The deferred charge on refunding bonds, net of accumulated amortization, totaled \$905,191 at August 31, 2018. Amortization of \$162,234 is reflected in the Statement of Activities for the year ended August 31, 2018.

Rebatable Arbitrage Payable

The Tax Reform Act of 1986 requires that the excess interest earned on tax-exempt bond proceeds over interest cost must be remitted to the federal government. These arbitrage interest earnings are paid from the Capital Projects Funds, if applicable, and must be remitted every five years from the date of issue. During the fiscal year ended August 31, 2018, no arbitrage payments were made to the IRS. Furthermore, there was no rebatable arbitrage liability at August 31, 2018.

LINDALE INDEPENDENT SCHOOL DISTRICT
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Direct Subsidy – Build America Bonds

Certain Series 2010 bonds include an irrevocable election to receive directly from the United States Department of the Treasury a tax credit equal to 35% of the interest paid on the Securities by the Issuer, which election is based on the Securities’ qualification as “Build America Bonds” under section 54AA of the Internal Revenue Code of 1986, as amended (Code) and as “qualified bonds” under subsection 54AA(g) of the Code, and the Issuer’s irrevocable election to treat the Securities as such at the time of their issuance. This tax credit is recorded as a direct offset to the payment of interest expense. The District was notified from the Internal Revenue Service during fiscal year 2018 that the tax credit was being reduced by 5.38%. As of August 31, 2018, the net amount of the tax credit received amounted to \$498,430.

Direct Subsidy – Qualified School Construction Bonds

Certain Series 2010 bonds include an irrevocable election to receive directly from the United States Department of the Treasury a tax credit equal to the amount of interest which would have been payable on the Securities by the Issuer if such interest were determined at the credit rate determined under section 54A(b)(3) of the Code (which credit rate applicable to the Bonds is 5.35% per annum), which election is based on the Securities’ qualification as “Qualified School Construction Bonds” under section 54F of the Code and as “qualified bonds” under subsection 6431(f)(1)(A) of the Code, and the Issuer’s irrevocable election to treat the Securities as such at the time of their issuance. The District was notified from the Internal Revenue Service during fiscal year 2018 that the tax credit was being reduced by 5.38%. As of August 31, 2018, the net amount of the tax credit received amounted to \$284,872.

Bonds Payable

Bonded indebtedness of the District is reflected in the Statement of Net Position.

The annual debt service requirements for principal and interest on the bonds are as follows:

Year Ended	General Obligation Bonds		
	Principal	Interest	Total Requirements
<u>August 31</u>			
2019	1,635,100	3,424,896	5,059,996
2020	3,145,000	1,919,721	5,064,721
2021	2,940,000	1,826,349	4,766,349
2022	3,045,000	1,723,182	4,768,182
2023	3,155,000	1,614,611	4,769,611
2024-2028	12,478,269	9,960,474	22,438,743
2029-2033	7,365,843	5,817,274	13,183,117
2034-2038	7,975,000	2,473,671	10,448,671
2039-2040	3,770,000	238,819	4,008,819
	45,509,212	28,998,997	74,508,209

NOTE J. CAPITAL LEASES

On June 2, 2016, the District executed a lease purchase agreement of \$1,087,901 for the purchase of Apple Ipads. The lease is payable in one initial payment of \$85,000 and four equal payments of \$255,082 beginning September 30, 2016. The lease has an interest rate of 0.99%.

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In the governmental fund statements for the year ended August 31, 2018, the expenditures were accounted for in the General Fund, Function 71 - Capital Lease Obligation Principal \$247,654 and Function 72 – Capital Lease Obligation Interest \$7,428.

A summary of changes in capital leases for the year ended August 31, 2018 is as follows:

<u>Description</u>	<u>Stated Interest Rate</u>	<u>Amounts Outstanding 9/1/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amounts Outstanding 8/31/18</u>
Apple iPad	0.99%	750,341	-	247,654	502,687
Total		750,341	-	247,654	502,687

The annual debt service requirements for principal and interest for the capital leases are as follows:

<u>Year Ended August 31</u>	<u>Capital Lease</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2019	250,105	4,977	255,082
2020	252,582	2,500	255,082
Total	502,687	7,477	510,164

NOTE K. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position.

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

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service

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to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018. Contribution rates can be found in the TRS 2017 CAFR, Note 12, on page 88.

	Contribution Rates	
	2017	2018
Member (Employees)	7.7%	7.7%
Employer (District)	6.8%	6.8%
Non-Employer Contributing Entity (State)	6.8%	6.8%
LISD Member Contributions	1,743,225	1,817,239
LISD Employer Contributions	563,972	605,974
LISD NECE On-Behalf Contributions	1,243,374	1,244,501

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.

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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 Insurances (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumption:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Municipal Bond Rate	N/A*
Last year ending August 31 in 2017 to 2116	
Projection period (100) Years	2116
Inflation	2.0%
Salary Increases Including Inflation	3.5% to 9.5%
Ad hoc post-employment benefit changes	None

**If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the measurement date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

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

Discount Rate. The single discount rate used to measure the total pension liability was 8.0%. The Discount Rate can be found in the 2017 TRS CAFR on page 90. 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 (see page 62 of the TRS CAFR) are summarized below:

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Asset Class	Target Allocation* %	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns**
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 Expectations			2.2%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

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

** The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability. The discount rate can be found in the 2017 CAFR, Note 12, page 91.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
LISD's proportionate share of the net pension liability	9,275,512	5,502,135	2,360,186

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, Lindale ISD reported a liability of \$5,502,135 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Lindale ISD. The amount recognized by Lindale ISD 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 Lindale ISD were as follows:

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District's proportionate share of the collective net pension liability	\$ 5,502,135
State's proportionate share that is associated with the District	12,166,928
Total	<u>\$ 17,669,063</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 0.0172078225%, which was an increase (decrease) of 0.0012693067% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2018, Lindale ISD recognized pension expense of \$1,866,246 and revenue of \$928,045 for support provided by the State.

At August 31, 2018, Lindale ISD 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	\$ 80,499	\$ 296,723
Changes in actuarial assumptions	250,631	143,480
Difference between projected and actual investment earnings	-	400,984
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,668,881	308
Total as of August 31, 2017 measurement date	\$ 2,000,011	\$ 841,495
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	605,974	-
Total	\$ 2,605,985	\$ 841,495

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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:

Year ended August 31:	Pension Expense Amount
2019	205,867
2020	557,083
2021	178,878
2022	69,098
2023	103,654
Thereafter	43,936
	1,158,516

NOTE L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

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

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

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

<u>Net OPEB Liability</u>	
Total OPEB Liability	\$ 43,885,784,621
Less: plan fiduciary net position	399,535,986
Net OPEB Liability	\$ 43,486,248,635
Net position as a percentage of total OPEB liability	0.92%

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

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

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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

	<u>TRS-Care 1</u> <u>Basic Plan</u>	<u>TRS-Care 2</u> <u>Optional Plan</u>	<u>TRS-Care 3</u> <u>Optional Plan</u>
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

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

Texas Insurance Code 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
LISD's 2018 FY Member Contributions		153,406
LISD's 2018 FY Employer Contributions		195,045
Measurement Year NECE On-behalf Contributions		210,553

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. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

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The District's proportionate share of the \$212,000,000 received during the district's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actuarial Methods and Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: [Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82].

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

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

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

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	
Additional Actuarial Methods and Assumptions	
Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate*	3.42%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
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.

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. *The Discount Rate can be found in the 2017 TRS CAFR on page 83.* 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

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2018

statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. *The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.*

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. The current single discount rate (3.42%) used was for 20-year, tax exempt general obligation

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
LISD's proportionate share of the Net OPEB Liability	13,742,891	11,644,068	9,957,088

municipal bonds with an average rating of AA/Aa or higher.

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 one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	9,694,850	11,644,068	14,201,688

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of \$11,644,068 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$11,644,068
State's proportionate share that is associated with the District	17,611,361
Total	<u>\$29,255,429</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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 .0267764380% which was the same proportion measured as of August 31, 2016.

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

LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2018

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

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

In this valuation 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 percent.
- 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.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increase or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(9,797,517) and revenue of \$(5,893,230) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 243,079
Changes in actuarial assumptions	-	4,627,657
Net Difference between projected and actual investment earnings	1,769	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	53	-
Total as of August 31, 2017 measurement date	1,822	4,870,736
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	195,045	-
Total as of August 31, 2018 fiscal year-end	\$ 196,867	\$ 4,870,736

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

The net amounts of the employer’s balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2019	\$ (642,459)
2020	(642,459)
2021	(642,459)
2022	(642,459)
2023	(642,901)
Thereafter	<u>(1,656,177)</u>
	<u>\$ (4,868,914)</u>

NOTE M. SCHOOL DISTRICT RETIREE HEALTH PLAN (TRS)

Plan Description – The Lindale Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issued a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage.

Contribution rates and amounts are shown in the table below for fiscal years 2018-2016.

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2018	0.65%	\$ 153,406	1.25%	\$ 295,011	0.75%	\$ 177,009
2017	0.65%	\$ 147,164	1.00%	\$ 211,713	0.55%	\$ 124,524
2016	0.65%	\$ 139,720	1.00%	\$ 202,072	0.55%	\$ 118,223

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE N. MEDICARE PART D (TRS)

Federal Government Retiree Drug Subsidy - The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants.

Under Medicare Part D and the RDS program, TRS-Care receives payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity.

The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submission by reporting entities for the month of May. Any questions about payroll amounts should be directed to a reporting entity's payroll contact.

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Lindale Independent School District's employees were \$90,741 for the year ended August 31, 2018. State Contributions for Medicare Part D made on behalf of Lindale Independent School District's employees were \$104,131 for the year ended August 31, 2017. State Contributions for Medicare Part D made on behalf of Lindale Independent School District's employees were \$64,098 for the year ended August 31, 2016.

NOTE O. NEGATIVE OPERATING GRANTS AND CONTRIBUTIONS (STATEMENT OF ACTIVITIES)

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

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

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

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 - Instruction	\$ (1,767,729)	\$ (3,910,370)	\$ 2,142,641
12 - Instructional Resources and Media Services	(50,189)	(59,570)	9,381
13 - Curriculum and Instructional Staff Development	(27,711)	(33,569)	5,858
21 - Instructional Leadership	(61,224)	(72,669)	11,445
23 - School Leadership	(265,648)	(315,303)	49,655
31 - Guidance, Counseling and Evaluation Services	(73,994)	(220,190)	146,196
33 - Health Services	(70,201)	(83,322)	13,121
34 - Student (Pupil) Transportation	(246,137)	(292,144)	46,007
35 - Food Services	1,063,623	(91,858)	1,155,481
36 - Extracurricular Activities	(145,118)	(172,242)	27,124
41 - General Administration	(135,276)	(160,560)	25,284
51 - Facilities Maintenance and Operations	(355,478)	(421,920)	66,442
52 - Security and Monitoring Services	(32,222)	(41,324)	9,102
52 - Data Processing Services	(15,324)	(18,189)	2,865
61 - Community Services	5,013	-	5,013
	<u>\$ (2,177,615)</u>	<u>\$ (5,893,230)</u>	<u>\$ 3,715,615</u>

NOTE P. EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2018 employees of Lindale Independent School District were covered by a uniform statewide health care program for public education employees. The District contributed \$267 per month towards employee health insurance, which includes the \$75 which is reimbursed by the state, per employee. Employees, at their option, may authorize payroll withholdings to pay the remaining balance of the premium for employee coverage and/or dependents. All premiums were paid to the statewide health care program based on the coverages selected by the employee. The Plan was authorized by House Bill 3343 and is administered by the Teacher Retirement System of Texas (TRS). The TRS board approved the selection of Aetna as the health plan administrator and Caremark as the pharmacy benefits manager for TRS-ActiveCare. The minimum contribution allowed by the state is \$225 per month.

NOTE Q. WORKERS' COMPENSATION

In 2011-2012, the District began participating in a fully funded workers' compensation plan with the Texas Association of School Boards Risk Management Fund, a public entity risk pool currently operating a workers' compensation risk management and insurance program. In prior years, the District participated in Claims Administrative Services, Inc. plan for workers' compensation.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

A reconciliation of the change in the liability for claims for the current and previous fiscal year is presented below:

	Year Ended August 31, 2018	Year Ended August 31, 2017
Unpaid claims at September 1	\$ 84,935	\$ 112,377
Incurred claims (including incurred but not reported)	193,121	128,091
Total Payments	<u>(229,848)</u>	<u>(155,533)</u>
Total Unpaid Claims at August 31	<u>\$ 48,208</u>	<u>\$ 84,935</u>

NOTE R. UNEARNED REVENUE

Unearned revenue at year end consisted of ticket sales related to football games, money received from students related to lunches, and funds received for textbooks which have not been received.

	General Fund	Other Funds	Total
Athletic receipts	26,350	-	26,350
Food service receipts	-	54,946	54,946
Textbook allotment	-	15,165	15,165
Grant Revenue	-	350	350
	<u>26,350</u>	<u>70,461</u>	<u>96,811</u>

NOTE S. INTERFUND BALANCES

Interfund balances at August 31, 2018, consisted of the following amounts. All interfund balances are expected to be repaid within one year.

Due to Non-major Governmental Funds (Special Revenue) -	
Food Service Fund from General Fund	\$ 29,503
Due to Proprietary Fund-	
Internal Service Fund to General Fund	<u>125,000</u>
Total	<u>\$ 154,503</u>

These interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE T. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2018, are summarized below. All federal grants shown below are passed through the TEA or are received directly from a federal agency and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Local Agency</u>	<u>Total</u>
Governmental Activities:				
Due From Other Governments:				
General Fund	283,557	-	21,838	305,395
Debt Service Fund	6,322	-	-	6,322
Nonmajor Governmental Funds (Special Revenue)	-	353,933	-	353,933
Total	<u>289,879</u>	<u>353,933</u>	<u>21,838</u>	<u>665,650</u>
Due to Other Governments:				
General Fund	-	-	-	-
Debt Service Fund	49,207	-	-	49,207
Total	<u>49,207</u>	<u>-</u>	<u>-</u>	<u>49,207</u>

Note U. GENERAL FUND FEDERAL SOURCE REVENUES

<u>Program or Source</u>	<u>Amount</u>
School Health and Related Services (SHARS)	411,969
	<u>411,969</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2018

NOTE V. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources as reported on Exhibit C-3 of the Funds Statements consisted of the following:

<u>Revenue Sources</u>	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Governmental Funds Total
Property taxes & related income	14,794,875	4,249,200	-	19,044,075
Investment income	292,194	50,389	13,795	356,378
Rent	1,002	-	-	1,002
Tuition	1,500	-	-	1,500
Donations	12,460	-	78,522	90,982
Insurance recovery	8,275	-	-	8,275
Food service revenue	-	-	582,587	582,587
Athletics/Cocurricular	115,926	-	284,590	400,516
Services to other Districts	5,000	-	-	5,000
Other local and intermediate sources	116,093	-	1,868	117,961
	15,347,325	4,299,589	961,362	20,608,276

NOTE W. RISK MANAGEMENT

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

NOTE X. COMMITMENTS AND CONTINGENCIES

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

NOTE Y. PRIOR PERIOD ADJUSTMENT – GOVERNMENT WIDE STATEMENTS

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. With GASB 75, the District must assume their proportionate share of the Net Postemployment Benefits other than Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is \$(20,417,269). The restated beginning of net position is \$9,500,682.

NOTE Z. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 6, 2018 the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LINDALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 14,880,359	\$ 15,239,051	\$ 15,347,325	\$ 108,274
5800	State Program Revenues	17,701,910	18,292,910	18,255,444	(37,466)
5900	Federal Program Revenues	350,000	410,000	411,969	1,969
5020	Total Revenues	32,932,269	33,941,961	34,014,738	72,777
EXPENDITURES:					
Current:					
0011	Instruction	18,754,716	19,452,583	19,128,131	324,452
0012	Instructional Resources and Media Services	403,939	383,139	349,611	33,528
0013	Curriculum and Instructional Staff Development	365,073	369,397	315,671	53,726
0021	Instructional Leadership	459,502	458,302	416,174	42,128
0023	School Leadership	1,741,480	1,741,110	1,700,378	40,732
0031	Guidance, Counseling and Evaluation Services	1,234,509	1,217,384	1,163,114	54,270
0032	Social Work Services	30,000	30,000	1,800	28,200
0033	Health Services	428,044	433,044	410,563	22,481
0034	Student (Pupil) Transportation	1,928,884	1,609,810	1,570,379	39,431
0035	Food Services	38,882	38,882	27,356	11,526
0036	Extracurricular Activities	1,423,509	1,756,659	1,698,475	58,184
0041	General Administration	1,222,524	1,195,444	1,066,350	129,094
0051	Facilities Maintenance and Operations	3,904,202	3,882,202	3,749,039	133,163
0052	Security and Monitoring Services	231,554	241,554	228,849	12,705
0053	Data Processing Services	169,369	169,369	151,469	17,900
Debt Service:					
0071	Principal on Long-Term Debt	247,654	247,654	247,654	-
0072	Interest on Long-Term Debt	7,428	7,428	7,428	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	1,098,000	679,561	418,439
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	55,000	48,000	42,530	5,470
0095	Payments to Juvenile Justice Alternative Ed. Prg.	8,000	8,000	2,563	5,437
0099	Other Intergovernmental Charges	278,000	284,000	283,163	837
6030	Total Expenditures	32,932,269	34,671,961	33,240,258	1,431,703
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(730,000)	774,480	1,504,480
SPECIAL ITEMS:					
7918	Sale of Mineral Rights	-	19,000	18,806	(194)
1200	Net Change in Fund Balances	-	(711,000)	793,286	1,504,286
0100	Fund Balance - September 1 (Beginning)	11,401,339	11,401,339	11,401,339	-
3000	Fund Balance - August 31 (Ending)	\$ 11,401,339	\$ 10,690,339	\$ 12,194,625	\$ 1,504,286

LINDALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 <u>Plan Year 2017</u>	FY 2017 <u>Plan Year 2016</u>	FY 2016 <u>Plan Year 2015</u>	FY 2015 <u>Plan Year 2014</u>
District's Proportion of the Net Pension Liability (Asset)	0.017207823%	0.015938516%	0.0158716%	0.0088547%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,502,135	\$ 6,022,928	\$ 5,610,399	\$ 2,365,213
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	12,166,928	14,646,013	13,766,068	11,561,315
Total	<u>\$ 17,669,063</u>	<u>\$ 20,668,941</u>	<u>\$ 19,376,467</u>	<u>\$ 13,926,528</u>
District's Covered Payroll	\$ 22,640,642	\$ 21,495,276	\$ 20,288,559	\$ 19,953,165
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	24.30%	28.02%	27.65%	11.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

LINDALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 605,974	\$ 563,972	\$ 506,408	\$ 469,964
Contribution in Relation to the Contractually Required Contribution	(605,974)	(563,972)	(506,408)	(469,964)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 23,603,395	\$ 22,640,642	\$ 21,495,276	\$ 20,288,559
Contributions as a Percentage of Covered Payroll	2.57%	2.49%	2.36%	2.32%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

LINDALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.02676438%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 11,644,068
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	17,611,361
Total	\$ 29,255,429
District's Covered Payroll	\$ 22,640,642
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	51.43%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

LINDALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 195,045
Contribution in Relation to the Contractually Required Contribution	(195,045)
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 23,603,395
Contributions as a Percentage of Covered Payroll	0.83%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

LINDALE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

Changes of benefit terms

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

Changes of assumptions

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

A. Notes to Schedules for the TRS OPEB Plan

Changes of benefit

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

Changes in Assumptions

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

In this valuation 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 percent.
- Premium data submitted was not adjusted for the 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.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

COMBINING SCHEDULES

LINDALE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	
ASSETS					
1110	Cash and Cash Equivalents	\$ (49,991)	\$ (72,870)	\$ (4,979)	\$ (4,869)
1240	Due from Other Governments	91,926	130,461	5,605	4,869
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 41,935</u>	<u>\$ 57,591</u>	<u>\$ 626</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	38,066	52,289	569	-
2200	Accrued Expenditures	3,869	5,302	57	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>41,935</u>	<u>57,591</u>	<u>626</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 41,935</u>	<u>\$ 57,591</u>	<u>\$ 626</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund
\$ 156,271	\$ -	\$ (13,235)	\$ -	\$ (51,266)	\$ -	\$ -	\$ 16,064
52,511	-	14,701	-	53,860	-	-	-
29,503	-	-	-	-	-	-	-
23,062	-	-	-	-	-	-	-
30,428	-	-	-	-	-	-	-
<u>\$ 291,775</u>	<u>\$ -</u>	<u>\$ 1,466</u>	<u>\$ -</u>	<u>\$ 2,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,064</u>
\$ 169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 899
51,494	-	1,330	-	2,353	-	-	-
-	-	136	-	241	-	-	-
54,946	-	-	-	-	-	-	15,165
<u>106,609</u>	<u>-</u>	<u>1,466</u>	<u>-</u>	<u>2,594</u>	<u>-</u>	<u>-</u>	<u>16,064</u>
30,428	-	-	-	-	-	-	-
154,738	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>185,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 291,775</u>	<u>\$ -</u>	<u>\$ 1,466</u>	<u>\$ -</u>	<u>\$ 2,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,064</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	427 Other State Special Revenue Funds	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Boylan Grants
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ 350	\$ 223,520	\$ 29,378
1240 Due from Other Governments	-	-	-	-
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 350</u>	<u>\$ 223,520</u>	<u>\$ 29,378</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ 4,133	\$ 695
2160 Accrued Wages Payable	-	-	-	-
2200 Accrued Expenditures	-	-	-	-
2300 Unearned Revenue	-	350	-	-
2000 Total Liabilities	<u>-</u>	<u>350</u>	<u>4,133</u>	<u>695</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	28,683
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	219,387	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>219,387</u>	<u>28,683</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 350</u>	<u>\$ 223,520</u>	<u>\$ 29,378</u>

482 CATE	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 7,250	\$ 12	\$ 235,635
-	-	353,933
-	-	29,503
-	-	23,062
-	-	30,428
<u>\$ 7,250</u>	<u>\$ 12</u>	<u>\$ 672,561</u>
\$ -	\$ -	\$ 5,896
-	-	146,101
-	-	9,605
-	-	70,461
<u>-</u>	<u>-</u>	<u>232,063</u>
-	-	30,428
-	-	154,738
7,250	12	35,945
-	-	219,387
<u>7,250</u>	<u>12</u>	<u>440,498</u>
<u>\$ 7,250</u>	<u>\$ 12</u>	<u>\$ 672,561</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	566,753	671,208	10,897	28,870
5020 Total Revenues	566,753	671,208	10,897	28,870
EXPENDITURES:				
Current:				
0011 Instruction	526,740	663,834	10,897	28,870
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	35,000	7,374	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	5,013	-	-	-
6030 Total Expenditures	566,753	671,208	10,897	28,870
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund
\$ 588,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,464	-	-	-	-	9,704	570	137,265
1,131,552	33,891	92,106	14,876	64,803	-	-	-
1,729,878	33,891	92,106	14,876	64,803	9,704	570	137,265
-	33,891	22,957	14,876	62,209	9,704	-	137,265
-	-	-	-	-	-	-	-
-	-	-	-	-	-	570	-
-	-	-	-	-	-	-	-
-	-	69,149	-	-	-	-	-
-	-	-	-	-	-	-	-
1,780,888	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,594	-	-	-
-	-	-	-	-	-	-	-
1,780,888	33,891	92,106	14,876	64,803	9,704	570	137,265
(51,010)	-	-	-	-	-	-	-
236,176	-	-	-	-	-	-	-
\$ 185,166	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LINDALE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	427 Other State Special Revenue Funds	429 Other State Special Revenue Funds	461 Campus Activity Funds	481 Boylan Grants
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 293,978	\$ 51,206
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	-	-	293,978	51,206
EXPENDITURES:				
Current:				
0011 Instruction	15,611	-	250,973	22,833
0012 Instructional Resources and Media Services	-	-	18,806	-
0013 Curriculum and Instructional Staff Development	-	-	535	-
0021 Instructional Leadership	-	-	56	-
0023 School Leadership	-	-	15,438	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	492	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	3,447	14,050
0041 General Administration	-	-	10,825	-
0051 Facilities Maintenance and Operations	-	-	4,714	-
0052 Security and Monitoring Services	-	-	1,507	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	15,611	-	306,793	36,883
1200 Net Change in Fund Balance	(15,611)	-	(12,815)	14,323
0100 Fund Balance - September 1 (Beginning)	15,611	-	232,202	14,360
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 219,387	\$ 28,683

482 CATE	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 4,100	\$ 23,216	\$ 961,362
-	-	157,003
-	-	2,614,956
4,100	23,216	3,733,321
2,450	15,950	1,819,060
-	-	18,806
-	-	1,105
-	-	56
-	-	15,438
-	-	111,523
-	-	492
-	-	1,780,888
-	-	17,497
-	-	10,825
-	-	4,714
-	-	4,101
-	7,254	12,267
2,450	23,204	3,796,772
1,650	12	(63,451)
5,600	-	503,949
\$ 7,250	\$ 12	\$ 440,498

REQUIRED T.E.A. SCHEDULES

LINDALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.060000	0.245000	1,110,722,066
2011	1.060000	0.415000	1,129,057,182
2012	1.060000	0.395000	1,150,096,897
2013	1.060000	0.395000	1,163,724,271
2014	1.080000	0.355000	1,234,017,931
2015	1.080000	0.355000	1,208,876,794
2016	1.080000	0.320000	1,224,077,071
2017	1.080000	0.310000	1,299,271,080
2018 (School year under audit)	1.080000	0.310000	1,357,867,664
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 95,257	\$ -	\$ 5,508	\$ 1,146	\$ (5,059)	\$ 83,544
20,913	-	1,442	334	(511)	18,626
29,408	-	2,943	1,152	406	25,719
38,834	-	6,608	2,462	1,280	31,044
46,465	-	11,418	4,255	5,862	36,654
64,356	-	15,538	5,107	7,276	50,987
93,883	-	29,886	9,824	12,131	66,304
169,302	-	63,203	18,727	15,624	102,996
360,918	-	138,256	40,965	(6,210)	175,487
-	18,874,361	14,347,173	4,118,170	(63,494)	345,524
<u>\$ 919,337</u>	<u>\$ 18,874,361</u>	<u>\$ 14,621,975</u>	<u>\$ 4,202,142</u>	<u>\$ (32,695)</u>	<u>\$ 936,886</u>

LINDALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - FOOD SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 565,000	\$ 565,000	\$ 588,862	\$ 23,862
5800 State Program Revenues	9,000	9,000	9,464	464
5900 Federal Program Revenues	1,159,000	1,159,000	1,131,552	(27,448)
5020 Total Revenues	1,733,000	1,733,000	1,729,878	(3,122)
EXPENDITURES:				
0035 Food Services	1,852,000	1,852,000	1,780,888	71,112
6030 Total Expenditures	1,852,000	1,852,000	1,780,888	71,112
1200 Net Change in Fund Balances	(119,000)	(119,000)	(51,010)	67,990
0100 Fund Balance - September 1 (Beginning)	236,176	236,176	236,176	-
3000 Fund Balance - August 31 (Ending)	\$ 117,176	\$ 117,176	\$ 185,166	\$ 67,990

LINDALE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,186,566	\$ 4,261,566	\$ 4,299,589	\$ 38,023
5800	State Program Revenues	159,568	194,568	177,017	(17,551)
5020	Total Revenues	4,346,134	4,456,134	4,476,606	20,472
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	3,025,000	3,025,000	3,025,000	-
0072	Interest on Long-Term Debt	1,311,134	1,311,134	1,309,496	1,638
0073	Bond Issuance Cost and Fees	10,000	10,000	3,407	6,593
6030	Total Expenditures	4,346,134	4,346,134	4,337,903	8,231
1200	Net Change in Fund Balances	-	110,000	138,703	28,703
0100	Fund Balance - September 1 (Beginning)	2,353,554	2,353,554	2,353,554	-
3000	Fund Balance - August 31 (Ending)	\$ 2,353,554	\$ 2,463,554	\$ 2,492,257	\$ 28,703

FEDERAL AWARDS SECTION



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

Independent Auditor's Report

Board of Trustees
Lindale Independent School District
505 Pierce Street
Lindale, TX 75571

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lindale Independent School District (the District) as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

December 6, 2018



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Independent Auditor's Report

Board of Trustees
Lindale Independent School District
505 Pierce Street
Lindale, TX 75771

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Lindale Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

December 6, 2018

**LINDALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018**

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Lindale Independent School District was an unmodified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instance of noncompliance material to the financial statements of the Lindale Independent School District was disclosed during the audit.
- d. No significant deficiency or material weakness relating to the audit of the major federal award programs are reported in the report on internal control over compliance required by Uniform Guidance.
- e. The type of report the auditor issued on compliance for major programs was an unmodified opinion.
- f. No audit findings relative to the major federal awards programs were disclosed by the audit that were required to be reported under 2 CFR 200.516(a).
- g. The program tested as major programs was:
 - ESEA, Title I, Part A - Improving Basic Programs CFDA# 84.010A
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Lindale Independent School District was determined to be a low-risk auditee.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

No findings were required to be reported.

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f above.

No findings were required to be reported.

**LINDALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018**

There were no prior year audit findings or questioned costs.

**LINDALE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018**

There were no current year audit findings or questioned costs.

LINDALE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18-610101212903	\$ 524,818
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19-610101212903	41,935
Total CFDA Number 84.010A			<u>566,753</u>
*IDEA - Part B, Formula	84.027	18-6600012129036600	613,617
*IDEA - Part B, Formula	84.027	19-6600012129036600	57,591
*IDEA - Part B, Discretionary	84.027	18-660077212903	28,870
Total CFDA Number 84.027			<u>700,078</u>
*IDEA - Part B, Preschool	84.173	18-6610012129036610	10,271
*IDEA - Part B, Preschool	84.173	19-6610012129036610	626
Total CFDA Number 84.173			<u>10,897</u>
Total Special Education Cluster (IDEA)			<u>710,975</u>
Career and Technical - Basic Grant	84.048	18-420006212903	33,891
Title III, Part A - English Language Acquisition	84.365A	18-671001212903	14,876
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18-694501212903	90,640
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	19-694501212903	1,466
Total CFDA Number 84.367A			<u>92,106</u>
LEP Summer School	84.396A	18-69551602	1,187
ESEA Title IV, Part A	84.434A	18-680101212903	13,142
ESEA Title IV, Part A	84.434A	19-680101212903	2,594
Total CFDA Number 84.434A			<u>15,736</u>
Emergency Impact Aid to LEAs	84.938C	19-680101212903	47,880
Total Passed Through State Department of Education			<u>1,483,404</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,483,404</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program - Cash Assistance	10.553	N/A	214,374
*School Breakfast Program - Non-Cash Assistance	10.553	N/A	25,147
Total CFDA Number 10.553			<u>239,521</u>
*National School Lunch Program - Cash Assistance	10.555	N/A	798,384
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	93,647
Total CFDA Number 10.555			<u>892,031</u>
Total Child Nutrition Cluster			<u>1,131,552</u>
Total Passed Through the State Department of Agriculture			<u>1,131,552</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,131,552</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,614,956</u>

*Clustered Programs Required by Compliance Supplement 2017

**LINDALE INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 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 committed to 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 and Expendable Trust Funds are accounted for using a current financial resources measurement focus. 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, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues 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 revenues until earned.

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, Uniform Guidance.
4. Nonmonetary assistance received from the Commodity Supplemental Food Program is recorded in fair market value of the commodities received and disbursed. The revenue and expense are reported in the Food Service Special Revenue Fund.

A reconciliation of federal program revenues and expenditures is as follows:

General Fund	411,969
Other Special Revenue Funds	<u>2,614,956</u>
Sub -total	3,026,925
Less Medicaid Arrangements Payments:	
SSA - School Health & Related Services (SHARS)	<u>(411,969)</u>
 Total Federal Program Expenditures	 <u>2,614,956</u>