

LA PRYOR INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2018

LA PRYOR INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
for the Year Ended August 31, 2018

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CERTIFICATE OF BOARD

La Pryor Independent School District
Name of School District


Zavala
County

254-902
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 23th day of January, 2019.



Signature of Board Secretary



Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is(are):

(attach list as necessary)

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EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede
Donna Ede Jones

P. O. Box 219
Knippa, Texas 78870
Telephone (830) 934-2148
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UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Independent Auditor's Report

Board of Trustees
La Pryor Independent School District
P. O. Box 519
La Pryor, TX 78872-0519

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Pryor Independent School 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, each major fund, and the aggregate remaining fund information of the La Pryor Independent School District, as of August 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in the notes to the financial statements, the District adopted new accounting guidance, GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result of the implementation of this Statement, the financial statements have been changed to reflect the new presentation required by GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

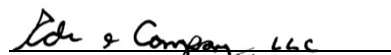
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the La Pryor Independent School District's basic financial statements. The exhibits identified in the Table of Contents as J-1 through J-5 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules 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. These exhibits have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them. 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 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 schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2019, on our consideration of the La Pryor Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering La Pryor Independent School District's internal control over financial reporting and compliance.


Ede & Company, LLC
Certified Public Accountants
Knippa, Texas

January 20, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of La Pryor Independent School 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 \$1,100.4 at August 31, 2018.
- During the year, the District's income was \$1,203,387 more than the \$5,993,389 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$2,616,361.

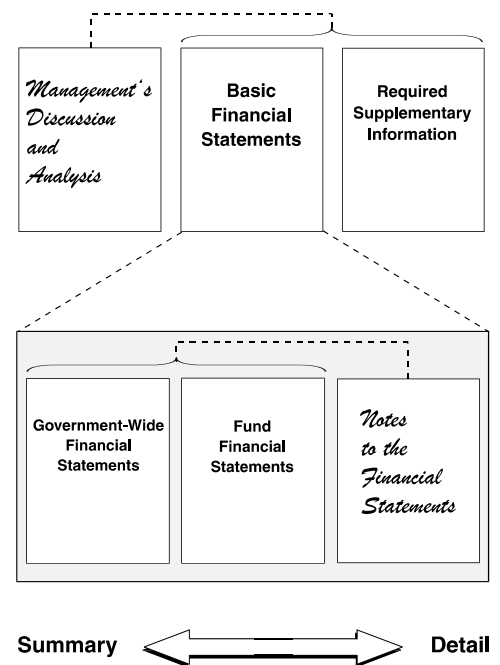
OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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



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, one needs to consider additional nonfinancial factors such as changes in the District's tax base

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

Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net 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

Net position. The District's combined net position was \$1,100.4 thousand at August 31, 2018. (See Table A-1).

Table A-1

La Pryor Independent School District's Position
(in thousands dollars)

	Governmental Activities		Percentage Change 2018-2017
	2018	2017	
Current assets:			
Cash and cash equivalents	\$ 2,728.3	\$ 2,362.5	15.5%
Property taxes receivable	266.8	237.4	12.4%
Allowance for uncollectible taxes	(48.0)	(42.7)	12.4%
Due from other governments	339.3	622.3	-45.5%
Internal balances	56.1	59.7	-6.0%
Other receivables	-	1.9	-100.0%
Inventories	6.1	6.1	0.0%
Prepayments	2.7	7.7	-64.9%
Total current assets	<u>3,351.3</u>	<u>3,254.9</u>	<u>0.0</u>

Noncurrent assets:			
Capital Assets	13,271.8	13,151.5	0.9%
Less accumulated depreciation	<u>(6,899.9)</u>	<u>(6,570.6)</u>	<u>5.0%</u>
Total noncurrent assets	<u>6,371.9</u>	<u>6,580.9</u>	<u>-3.2%</u>
Total Assets	<u>9,723.2</u>	<u>9,835.8</u>	<u>-1.1%</u>
Deferred Outflows of Resources			
Deferred Outflow on Refunding	39.0	41.1	-5.1%
Deferred Outflow - Pensions	43.2	533.9	-91.9%
Deferred Outflow - OPEB	300.1	-	100.0%
Total Deferred Outflows of Resources	<u>382.3</u>	<u>575.0</u>	<u>100.0%</u>
Current liabilities:			
Accounts payable and accrued liabilities	96.8	16.8	476.2%
Accrued wages payable	179.9	152.0	18.4%
Due to student groups	-	-	100.0%
Accrued expenses	4.3	3.9	10.3%
Unearned revenue	-	-	100.0%
Total current liabilities	<u>281.0</u>	<u>172.7</u>	<u>62.7%</u>
Long-term liabilities:			
Bonds and Capital Leases	2,860.9	3,222.2	-11.2%
Unamortized Premium (Discount)	267.9	282.8	-5.3%
Net Pension Liability	1,146.0	1,339.4	-14.4%
Net OPEB Liability	3,013.4	1,339.4	125.0%
Total current liabilities	<u>7,288.2</u>	<u>6,183.8</u>	<u>17.9%</u>
Total Liabilities	<u>7,569.2</u>	<u>6,356.5</u>	<u>19.1%</u>
Deferred Inflows of Resources			
Deferred Inflow - Pensions	175.3	221.9	-21.0%
Deferred Inflow - OPEB	1,260.5	221.9	468.0%
Total Deferred Outflows of Resources	<u>1,260.5</u>	<u>221.9</u>	<u>468.0%</u>
Net Position:			
Invested in capital assets	3,282.0	3,117.0	5.3%
Restricted for federal & state programs	107.7	101.3	6.3%
Restricted for debt service	227.4	159.9	42.2%
Unrestricted	<u>(2,516.6)</u>	<u>1,793.5</u>	<u>-240.3%</u>
Total Net Position	<u>\$ 1,100.5</u>	<u>\$ 5,171.7</u>	<u>-78.7%</u>

Approximately \$227.4 thousand of the District's restricted net position represent proceeds from local taxes. These proceeds when spent are restricted for Debt Service..

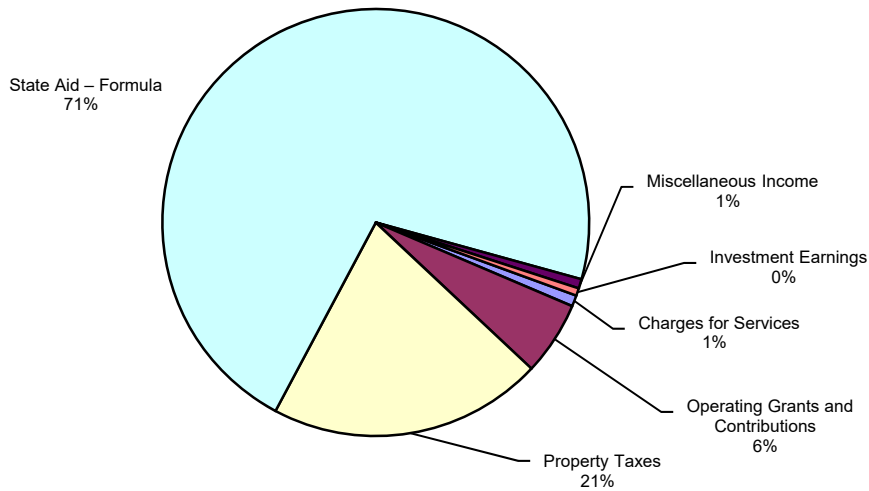
Changes in net position. The District's total revenues were \$5,993.4 thousand. A significant portion, 21 percent, of the District's revenue comes from taxes. (See Figure A-3.) 71 percent comes from state aid – formula grants, while only 1 percent relates to charges for services.

The total cost of all programs and services was \$4,790.0 thousand; 48 percent of these costs are for instructional and student services.

Governmental Activities

- Property tax rates remained the same as in 2017 and property tax values decreased 1.21% from last year's values. These changes resulted in a decrease in tax revenues from \$1,265.0 thousand to \$1,246.1 thousand.

Figure A-3 2018 Revenue Sources



	Governmental Activities		Percentage Change
	2018	2017	2018-2017
Program Revenues:			
Charges for Services	\$ 50.8	\$ 46.8	8.5%
Operating Grants and Contributions	335.0	1,294.3	-74.1%
General Revenue			
Property Taxes	1,246.1	1,265.0	-1.5%
State Aid - Formula	4,285.2	4,518.4	-5.2%
Investment Earnings	33.8	23.8	42.0%
Other	42.5	136.4	-68.8%
Total Revenue	5,993.4	7,284.7	-17.7%
Instruction	2,315.5	3,509.7	-34.0%
Instructional Resources and Media Services	17.5	24.4	-28.3%
Curriculum and Instructional Staff Development	57.2	96.6	-40.8%
Instructional Leadership	118.7	205.9	-42.4%
School Leadership	210.3	330.7	-36.4%
Guidance Counseling and Evaluation Services	65.7	101.2	-35.1%
Social Work	-	24.4	-100.0%
Health Services	24.9	39.3	-36.6%
Student (Pupil) Transportation	129.9	140.5	-7.5%
Food Services	288.9	384.3	-24.8%
Cocurricular/Extracurricular Activities	371.5	439.9	-15.5%
General Administration	312.6	475.5	-34.3%
Plant Maintenance and Operations	617.3	643.2	-4.0%
Security and Monitoring Services	9.6	-	0.0%
Data Processing Service	104.7	136.7	-23.4%
Community Service	2.9	7.1	-59.2%
Debt Service - Interest on long-term debt	102.4	122.8	-16.6%
Facilities Acquisition and Construction	-	58.9	100.0%
Other Intergovernmental Charges	40.4	26.1	54.8%
Total Expense	4,790.0	6,767.2	-29.2%
Excess (Deficiency) Before Other Resources, Uses & Transfers	1,203.4	517.5	132.5%
Other Resources (Uses)	-	-	0.0%
Increase (Decrease) in Net Position	1,203.4	517.5	132.5%

2018 Expenses by Function

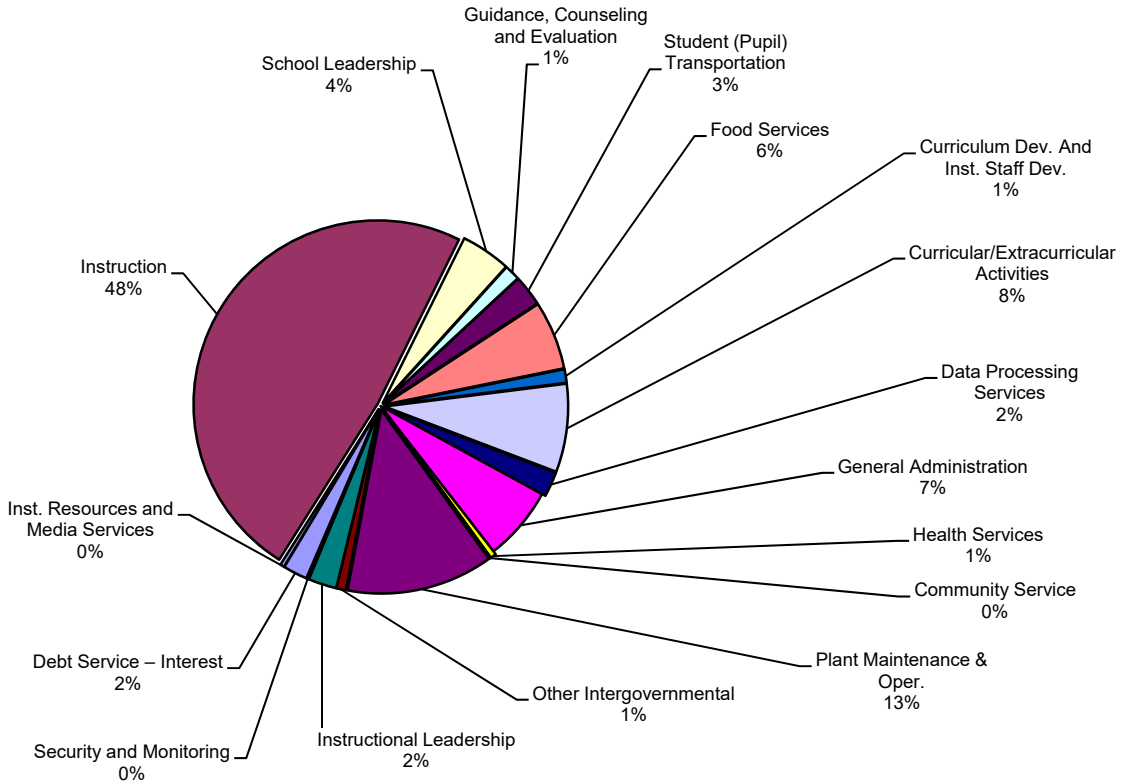


Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$4,790.0 thousand.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$1,246.1 thousand.
- Some of the cost was paid by those who directly benefited from the programs \$50.8 thousand, or
- By grants and contributions \$335.0 thousand.

Table A-3
Net Cost of Selected District Functions
(in thousands of dollars)

	Total Costs of Services			Net Cost of Services		
	2018	2017	Percent Change	2018	2017	Percent Change
Instructional	\$ 2,315.5	\$ 3,509.7	-34.0%	\$ 2,176.7	\$ 2,878.7	-24.4%
Plant Maintenance & Operations	617.3	643.2	-4.0%	671.6	630.6	6.5%
General Administration	312.6	475.5	-34.3%	373.1	462.0	-19.2%

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget many times. Even with these adjustments, actual expenditures were \$859,125 below final budget amounts. Resources available were \$30,059 more than the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested \$13,151.5 thousand in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of 0.5 percent over last year.

Table A-4
District's Capital Assets
(in thousands of dollars)

	Governmental Activities		Percentage Change 2018-2017
	2018	2017	
Land	\$ 97.1	\$ 97.1	0.0%
Building and Improvements	11,669.9	11,662.0	0.1%
Furniture & Equipment	1,504.8	1,392.4	8.1%
Construction in Progress	-	-	0.0%
Totals at historical cost	13,271.8	13,151.5	0.9%
Total Accumulated Depreciation	(6,900.0)	(6,570.6)	5.0%
Net Capital Assets	\$ 6,371.8	\$ 6,580.9	-3.2%

Debt Administration

At the end of the year the district had one bond issues, and three loans still outstanding. Bonds were reduced by \$100.0 thousand during the year. Loans were reduced by \$261.3 thousand during the year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2018 budget preparation are down 14.94 % from 2018 values.
- Tax rates remained the same as 2019 at \$1.288
- State funding is subject to legislative cuts.

These indicators were taken into account when adopting the general fund budget for 2019. Amounts available for appropriation in the general fund budget are approximately \$6.30 million.

Expenditures are budgeted remain constant at approximately \$6.90 million. The District continues to coordinate local funds with federal funds to optimize instructional programs.

If these estimates are realized, the District's budgetary general fund balance is expected to decrease by 595.9 thousand by the close of 2019

Contacting the District's Financial Management: This financial report is designed for customers, 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 Superintendent of Schools.

BASIC FINANCIAL STATEMENTS

LA PRYOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

1

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,728,290
1220 Property Taxes Receivable (Delinquent)	266,839
1230 Allowance for Uncollectible Taxes (Credit)	(48,031)
1240 Due from Other Governments	339,315
1260 Internal Balances	56,085
1290 Other Receivables	-
1310 Inventories, at Cost	6,133
1410 Prepayments	2,678
Capital Assets:	
1510 Land	97,095
1520 Buildings (Net)	5,930,279
1530 Furniture & Fixtures (Net)	344,506
1000 Total Assets	<u>9,723,189</u>
DEFERRED OUTFLOWS OF RESOURCES	
1996 Deferred Charge on Refunding	38,892
1705 Deferred Outflows - Pension	43,198
1706 Deferred Outflows - OPEB	300,089
1700 Total Deferred Outflow of Resources	<u>382,179</u>
LIABILITIES	
2110 Accounts Payable	\$ 96,785
2160 Accrued Wages Payable	179,941
2200 Accrued Expenses	4,272
Noncurrent Liabilities:	
2501 Due Within One Year	368,500
2502 Due in More Than One Year	2,492,362
2516 Unamortized Premium (Discount) on Bonds	267,908
2540 Net Pension Liability	1,145,974
2545 Net OPEB Liability (proportionate Share)	3,013,417
2000 Total Liabilities	<u>7,569,159</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows - Pension	175,306
2606 Deferred Inflows - OPEB	1,260,518
1700 Total Deferred Inflow of Resources	<u>1,435,824</u>
NET POSITION	
3200 Invested in Capital Assets, Net of Related Debt	3,282,002
Restricted:	
3820 Restricted for Federal & State Programs	107,660
3850 Restricted for Debt Service	227,372
3900 Unrestricted	(2,516,649)
3000 Total Net Position	<u>\$ 1,100,385</u>

The accompanying notes are an integral part of this statement.

LA PRYOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
AUGUST 31, 2018

Data Control Codes	1	Program Revenues		6	
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 2,315,481	\$ 9,480	\$ 129,305	\$ (2,176,696)
12	Instructional Resources and Media Services	17,497	-	(4,915)	(22,412)
13	Curriculum and Instructional Staff Development	57,204	-	44,404	(12,800)
21	Instructional Leadership	118,718	-	131,308	12,590
23	School Leadership	210,334	-	(68,471)	(278,805)
31	Guidance Counseling and Evaluation Services	65,683	-	(14,865)	(80,548)
32	Social Work Services	-	-	-	-
33	Health Services	24,931	-	(8,646)	(33,577)
34	Student (Pupil) Transportation	129,897	-	(15,441)	(145,338)
35	Food Services	288,872	24,477	311,282	46,887
36	Cocurricular/Extracurricular Activities	371,516	16,799	(38,625)	(393,342)
41	General Administration	312,586	-	(60,534)	(373,120)
51	Plant Maintenance and Operations	617,306	-	(54,296)	(671,602)
52	Security and Monitoring Services	9,617	-	-	(9,617)
53	Data Processing Services	104,691	-	4,600	(100,091)
61	Community Service	2,893	-	(20,150)	(23,043)
72	Debt Service - Interest on long-term debt	102,378	-	-	(102,378)
81	Facilities Acquisition and Construction	-	-	-	-
99	Other Intergovernmental Charges	40,398	-	-	(40,398)
TG	TG Total governmental activities	<u>\$ 4,790,002</u>	<u>\$ 50,756</u>	<u>\$ 334,956</u>	<u>\$ (4,404,290)</u>
Data					
Control	General revenues:				
Codes	Taxes:				
MT	Property taxes, levied for general purposes				1,173,588
DT	Property taxes, levied for debt service				72,500
SF	State aid-formula grants				4,285,228
IE	Investment earnings				33,833
MI	Miscellaneous local and intermediate revenue				42,528
TR	Total general revenues, and transfers				<u>5,607,677</u>
CN			Change in net position		1,203,387
NB	Net position—beginning				5,181,025
	Prior Period Adjustment				(5,284,027)
NE	Net position—ending				<u>\$ 1,100,385</u>

The accompanying notes are an integral part of this statement.

LA PRYOR INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	20 Special Revenue Funds
ASSETS		
1110	Cash and Temporary Investments (market) \$ 2,583,088	\$ (173,799)
1220	Property Taxes - Delinquent 243,381	-
1230	Allowance for Uncollectible Taxes (Credit) (43,809)	-
1240	Due from Other Governments 132,877	206,438
1260	Due from Other Funds 159,244	-
1290	Other Receivables -	-
1310	Inventories, at Cost 6,133	-
1410	Deferred Expenditures 2,678	-
1000	Total Assets <u>\$ 3,083,592</u>	<u>\$ 32,639</u>
LIABILITIES & FUND BALANCES		
Liabilities:		
2110	Accounts Payable \$ 78,473	\$ 18,312
2160	Accrued Wages Payable 173,985	5,956
2170	Due to Other Funds 11,530	-
2190	Due to Student Groups -	-
2200	Accrued Expense 3,669	603
2300	Unearned Revenue -	-
2000	Total Liabilities <u>267,657</u>	<u>24,871</u>
DEFERRED INFLOWS OF RESOURCES		
2601	Unavailable Revenue- Property Taxes 199,574	-
2600	Total Deferred Inflows of Resources <u>199,574</u>	<u>-</u>
FUND BALANCE		
Restricted Fund Balance:		
3450	Federal or State Funds Grant Restrictions 99,892	7,768
3470	Capital Acquisition and Construction Obligations -	-
3480	Retirement of Long-Term Debt -	-
Committed Fund Balance:		
3590	Other Assigned Fund Balance -	-
Unassigned Fund Balance:		
3600	Unassigned Fund Balance 2,516,469	-
3000	Total Fund Balances <u>2,616,361</u>	<u>7,768</u>
4000	Total Liabilities, Deferred Inflows, & Fund Balances <u>\$ 3,083,592</u>	<u>\$ 32,639</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	98 Total Governmental Funds
\$ 319,001	\$ 2,728,290
23,458	266,839
(4,222)	(48,031)
-	339,315
1,229	160,473
-	-
-	6,133
-	2,678
<u>\$ 339,466</u>	<u>\$ 3,455,697</u>
\$ -	\$ 96,785
-	179,941
92,858	104,388
-	-
-	4,272
-	-
<u>92,858</u>	<u>385,386</u>
19,236	218,810
<u>19,236</u>	<u>218,810</u>
-	107,660
-	-
227,372	227,372
-	-
-	2,516,469
<u>227,372</u>	<u>2,851,501</u>
<u>\$ 339,466</u>	<u>\$ 3,455,697</u>

LA PRYOR INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
August 31, 2018

Total Fund Balances - Governmental Funds	\$ 2,851,501
<p>1 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 \$13,151,479 and accumulate depreciation was \$6,570,571. 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. The long -term debt was \$3,463,900. The net effect of including the beginning balances for the capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.</p>	3,117,008
<p>2 Current year capital outlays and long-term debt principal payments are expended 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 District also incurred new debt during the year. The net effect of including the 2018 capital outlays and debt principal payments is to increase net position.</p>	481,654
<p>3 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. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$533,827, a Deferred Resource Inflow in the amount of \$221,944 and a net pension liability in the amount of \$1,339,381. The impact of this on Net Position is (1,027,498). Changes from the current year reporting of the TRS plan resulted in a increase in net position in the amount of \$6,307. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$1,021,191).</p>	(1,021,191)
<p>4 The District implemented GASB 75 reporting requirements for the OPEB benefit plan through TRS Since this is the first year of implementation, a prior period adjustment had to be made in the amount of (\$5,284,027). The District's share of the TRS plan resulted in a net OPEB liability of \$3,013,417 , a deferred resources outflow of \$43,198, and a defered inflow of \$1,063,513. This resulted in an decrease in net position of \$1,260,518.</p>	(4,230,737)
<p>5 The 2018 depreciation expense increased accumulate Depreciation. The net effect on the current year's depreciation is to decrease net position.</p>	(329,383)
<p>6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, 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.</p>	231,533
19 Net Positions of Governmental Activities	\$ 1,100,385

The accompanying notes are an integral part of this statement.

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

Data	10	20
Control	General	Special Revenue
Codes	Fund	Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 1,256,374	\$ 14,845
5800 State Program Revenues	4,530,886	40,271
5900 Federal Program Revenues	393,958	539,812
5020 Total Revenue	<u>6,181,218</u>	<u>594,928</u>
EXPENDITURES:		
Current:		
0011 Instruction	3,023,391	376,882
0012 Instructional Resources and Media Services	26,966	-
0013 Curriculum and Instructional Staff Development	17,028	44,404
0021 Instructional Leadership	93,572	152,242
0023 School Leadership	344,473	2,104
0031 Guidance Counseling and Evaluation Services	102,003	101
0032 Social Work Services	-	-
0033 Health Services	39,973	-
0034 Student (Pupil) Transportation	228,885	-
0035 Food Services	374,394	1,457
0036 Cocurricular/Extracurricular Activities	401,247	11,508
0041 General Administration	410,310	-
0051 Plant Maintenance and Operations	726,362	-
0052 Security and Monitoring Services	9,617	-
0053 Data Processing Services	144,897	-
0061 Community Service	-	2,893
Debt Service:		
0071 Debt Service - Principal on long-term debt	261,271	-
0072 Debt Service - Interest on long-term debt	43,279	-
Capital Outlay:		
0081 Facilities Acquisition and Construction	-	-
Intergovernmental:		
0099 Other Intergovernmental Charges	40,398	-
6030 Total Expenditures	<u>6,288,066</u>	<u>591,591</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>(106,848)</u>	<u>3,337</u>
OTHER FINANCING SOURCES (USES):		
7915 Operating Transfers In	-	-
8911 Operating Transfers Out	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	(106,848)	3,337
0100 Fund Balance - September 1 (Beginning)	2,723,209	4,431
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,616,361</u>	<u>\$ 7,768</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	98 Total Governmental Funds
\$ 115,698	\$ 1,386,917
123,646	4,694,803
-	933,770
<u>239,344</u>	<u>7,015,490</u>
-	3,400,273
-	26,966
-	61,432
-	245,814
-	346,577
-	102,104
-	-
-	39,973
-	228,885
-	375,851
-	412,755
-	410,310
-	726,362
-	9,617
-	144,897
-	2,893
100,000	361,271
71,850	115,129
-	-
-	40,398
<u>171,850</u>	<u>7,051,507</u>
<u>67,494</u>	<u>(36,017)</u>
-	-
-	-
-	-
67,494	(36,017)
159,878	2,887,518
<u>\$ 227,372</u>	<u>\$ 2,851,501</u>

LA PRYOR 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

Total Net Change in Fund Balances - Governmental Funds	\$ (36,017)
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.	481,654
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect on the current year's depreciation is to decrease net position.	(329,383)
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 taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, 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 decrease net position.	27,536
Current year changes due to GASB 68 decreased revenues in the amount of \$46,044 but also decreased expenditures in the amount of \$52,351. The net effect on the change in the ending net position was a increase in the amount of \$6,307.	6,307
The implementation of GASB 75 to report the District's share of the TRS OPEB plan resulted in a prior period adjustment in the amount of (\$5,284,027). The changes in the ending net position as a result of reporting the OPEB items was a increased in the change in net postion in the amount of \$1,053,290.	1,053,290
Change in Net Position of Governmental Activities	<u><u>\$ 1,203,387</u></u>

The accompanying notes are an integral part of this statement.

LA PRYOR INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2018

	Agency Funds
<hr/>	
ASSETS:	
Cash & Cash Equivalents	\$ 153,855
Due From Other Funds	-
Total Assets	<u>\$ 153,855</u>
LIABILITIES:	
Accounts Payable	\$ 1,491
Accrued Payroll Expenses	57,368
Due to Other Funds	57,084
Due to Student Groups	38,912
Total Liabilities	<u>\$ 154,855</u>

The accompanying notes are an integral part of this statement.

**LA PRYOR INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

La Pryor Independent School District (the "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 (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (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 the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. 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 La Pryor Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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. 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. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from 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. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

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.

C. 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. 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 [GASB 2300.106a(2) and 1600.108], 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 are collectible within 60 days after year end.

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 [GASB 2300.106a(2) and 1600.108].

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 some times require the District to refund all or part of the unused amount [GASB 2300.106a(2) and 1600.108].

The 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. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements [GASB 2300.106a(7) and P80.104-107]. 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. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Funds** – 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.

- 3. 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 is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Additionally, the District reports the following fund type(s):

Fiduciary Funds:

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

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

E. OTHER ACCOUNTING POLICIES

- For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
- Inventories of supplies on the balance sheet, supplies such as consumable maintenance, instructional, office, athletic, and transportation items are stated at cost. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture 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.
- Deferred revenue accounted for on the balance sheet of the general fund relates to uncollected property taxes less the amount of doubtful accounts and the remainder relates to excess funds received from the Texas Education Agency over earned amounts.
- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- 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, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an

estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Vehicles	7
Office Equipment	5
Computer Equipment	5

7. 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 the fiscal year, 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.
8. In the fund financial statements, governmental funds report designations for restrictions, commitments, assignments and non-spendable reserves of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance have been eliminated from the government-wide financial statements. The unassigned fund balance represents that portion of the fund balance that is available for budgeting in future periods. Commitments and assignments of fund balance may only be done by a resolution of the Board of Trustees. Commitments and assignments may only be relieved by incurring expenditures for that purpose or by Board resolution. Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when the expenditure is incurred for the purpose for which the fund balance was restricted, committed, or assigned. If an expenditure that meets the criteria in more than one fund balance category, then the District considers that the fund balance is relieved in the following order: restricted, committed, assigned, and then unassigned.
7. 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.
8. The Data Control Codes refer to the account code structure prescribed by TEA in the Financial Accountability System Resource Guide. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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 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 are in Exhibit J-4 and J-5.

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

1. Prior to August 20 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. 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. However, none of these were significant.
4. 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.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

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 limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not participating in foreign currency transactions.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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 entity to invest in (1) obligations of Use 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 entity to have independent auditors perform test procedures related to investment practices as provided by the Act. La Pryor Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, 2018, La Pryor Independent School District had the following investments.

<u>Investment Type</u>	Investment Maturities (in years)		Credit Rating
	Fair Value	Less Than 1	
Lone Star Investment	\$ 1,798,318	\$ 1,798,318	1
	<u>\$ 1,798,318</u>	<u>\$ 1,798,318</u>	

Additional polices and contractual provisions governing deposits and investments for La Pryor Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to depository bank certificates of deposits and state sponsored investment pools.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. All of the securities are in the District's name and held by the District or its agent.

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 investments in both depository bank certificates of deposits and state sponsored investment pools.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign Currency Risk for investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currencies.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2018 consisted of the following individual fund balances:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Within Fund	11,185	11,185
Trust and Agency Fund	55,202	-
Special Revenue Fund	92,858	345
Total General Fund	<u>159,245</u>	<u>11,530</u>
Debt Service Fund:		
General Fund	345	92,858
Trust and Agency Fund	884	-
Total Debt Service Fund	<u>1,229</u>	<u>92,858</u>
Trust and Agency Fund:		
General Fund	-	55,202
Debt Service Fund	-	884
Total Trust and Agency Fund	<u>-</u>	<u>56,086</u>
 TOTAL	 <u>\$ 160,474</u>	 <u>\$ 160,474</u>

The District had not cleared all interfund receivables and payables at the end of the year. All amounts are scheduled to be repaid within one year.

E. CAPITAL ASSET ACTIVITY

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 97,095	\$ -	\$ -	\$ 97,095
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>97,095</u>	<u>-</u>	<u>-</u>	<u>97,095</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	11,661,971	7,950	-	11,669,921
Furniture and Equipment	1,392,413	112,405	-	1,504,818
Total capital assets being depreciated	<u>13,054,384</u>	<u>120,355</u>	<u>-</u>	<u>13,174,739</u>
Less accumulated depreciation for:				
Buildings and Improvements	5,490,674	248,968	-	5,739,642
Furniture and Equipment	1,079,897	80,415	-	1,160,312
Total accumulated depreciation	<u>6,570,571</u>	<u>329,383</u>	<u>-</u>	<u>6,899,954</u>
Total capital assets being depreciated, net	<u>6,483,813</u>	<u>(209,028)</u>	<u>-</u>	<u>6,274,785</u>
Governmental activities capital assets, net	<u>\$ 6,580,908</u>	<u>\$ (209,028)</u>	<u>\$ -</u>	<u>\$ 6,371,880</u>

Depreciation was charged to functions as follows:

Instruction	\$ 192,914
Health Services	1,704
Student (Pupil) Transportation	35,616
Food Services	7,040
Cocurricular/Extracurricular Activities	69,524
General Administration	19,431
Plant Maintenance and Operations	3,153
	<u>\$ 329,383</u>

F. BONDS PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The bonds mature serially through the year 2036. Interest rates vary from 2.0% to 4.0%.

Changes in long-term obligations for the year ended August 31, 2018 are as follows:

	Interest Rates	Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
Governmental Activities							
Bonds Payable:							
Series 2016 - Refunding	2.0%-4.0%	2,130,000	2,000,000	-	100,000	1,900,000	100,000
Total Bonds Payable		<u>2,130,000</u>	<u>2,000,000</u>	<u>-</u>	<u>100,000</u>	<u>1,900,000</u>	<u>100,000</u>

Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018, are as follows:

Year Ending <u>August 31</u>	Bonds Payable	
	<u>Principal</u>	<u>Interest</u>
2019	100,000	68,100
2020	105,000	65,100
2021	110,000	61,950
2022	115,000	58,650
2023	120,000	55,200
2024-2028	645,000	217,000
2029-2032	485,000	93,400
2033-2036	220,000	17,600
Totals	<u>\$ 1,900,000</u>	<u>\$ 637,000</u>

G. LONG TERM LOANS PAYABLE

Changes in long-term loans payable for the year ended August 31, 2018 are as follows:

Purpose/Lawful Authority	Fund Payable From/ Interest Rate	Current Years Interest	Beginning Balance	Amount Issued	Amount Retired	Ending Balance	Amounts Due Within One Year
Building Improvements TEC 45.018	General Fund 4.93%	\$ 34,860	\$ 766,161	\$ -	\$ 114,299	\$ 651,862	\$ 119,500
Maintenance Improvements TEC 45.018	General Fund 2.75%	2,819	136,000	-	67,000	69,000	69,000
Maintenance Improvements TEC 45.018	General Fund 1.99%	5,572	320,000	-	80,000	240,000	80,000
Total Notes Payable		<u>\$ 43,251</u>	<u>\$ 1,222,161</u>	<u>\$ -</u>	<u>\$ 261,299</u>	<u>\$ 960,862</u>	<u>\$ 268,500</u>

Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018, are as follows:

Year Ending <u>August 31</u>	Long Term Loans Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	268,500	34,585	303,085
2020	204,937	26,610	231,547
2021	210,621	19,334	229,955
2022	136,565	12,595	149,159
2023	140,240	6,381	146,621
Totals	<u>\$ 960,862</u>	<u>\$ 99,505</u>	<u>\$ 1,060,368</u>

H. DEFINED BENEFIT PENSION PLAN

Plan Description. La Pryor 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. The information provided in the Notes to the Financial Statements in the 2017 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2017.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$179,336,534,819
Less: Plan Fiduciary Net Position	<u>(147,361,922,120)</u>
Net Pension Liability	<u>\$ 31,974,612,699</u>
Net Position as percentage of Total Pension Liability	82.170%

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description 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. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. 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

	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

La Pryor ISD 2017 Employer Contributions	\$	127,066
La Pryor ISD 2017 Member Contributions	\$	280,272
La Pryor ISD 2017 NECE On-Behalf Contributions	\$	201,350

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, 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 including public 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.

In addition to the employer contributions listed above, 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.

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

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

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
La Pryor ISD's proportionate share of the net pension liability:	\$ 1,931,886	\$ 1,145,974	\$ 491,934

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, La Pryor Independent School District reported a liability of \$1,145,974 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to La Pryor Independent School District. The amount recognized by La Pryor Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with La Pryor Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 1,145,974
State's proportionate share that is associated with the District	<u>1,968,505</u>
Total	<u>\$ 3,114,479</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 .0035840121% which was a .0000395983% increase 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, La Pryor Independent School District recognized pension expense of \$270,909 and revenue of \$150,150 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 16,766	\$ 61,801
Changes in actuarial assumptions	52,201	29,884
Difference between projected and actual investment earnings		83,517
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	104,056	104
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	127,066	
Total	\$300,089	\$175,306

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	\$ (12,272)
2020	60,879
2021	(17,890)
2022	(37,286)
2023	3,884
Thereafter	402

I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

Plan Description. La Pryor 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.

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

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

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

TRS-Care Standard Plan Premium Rates			
Effective Sept. 1, 2016 - Dec. 31, 2017			
	TRS-Care 1	TRS-Care 2	TRS-Care 3
	Basic Plan	Optional Plan	Optional Plan
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees,

and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.0% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .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>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Active Employeeer	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding by employer	1.00%	1.25%
La Pryor ISD 2017 Employer Contributions	\$	42,727
La Pryor ISD 2017 Member Contributions	\$	23,983
La Pryor ISD 2017 NECE On-Behalf Contributions	\$	33,388

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

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

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
Aging Factors	Based on plan specific experience

Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00%***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

* 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.

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

Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .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 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*

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

Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			<u>2.2%</u>
Alpha			
Total	100%		<u>8.7%</u>

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

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

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
La Pryor ISD's proportionate share of the net OPEB liability:	\$3,556,581	\$3,013,417	\$2,576,837

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
La Pryor ISD's proportionate share of the net OPEB liability:	\$2,508,971	\$3,013,417	\$3,675,315

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, La Pryor Independent School District reported a liability of \$3,013,417 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to La Pryor Independent School District. The amount recognized by La Pryor Independent School District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net pension liability that was associated with La Pryor Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 3,013,417
State's proportionate share that is associated with the District	<u>2,792,648</u>
Total	<u>\$ 5,806,065</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 OPBE 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 OPBE liability was .00069295870% which was the same 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 OPEB liability since the prior measurement period.

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, La Pryor Independent School District recognized OPEB expense of \$(1,945,057) and revenue of \$(934,494) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$.	\$ 62,907
Changes in actuarial assumptions		1,197,611
Difference between projected and actual investment earnings	458	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	13	
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	42,727	
Total	\$43,198	\$1,260,518

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

Year ended August 31:	OPEB Expense Amount
2019	\$ (166,264)
2020	(166,264)
2021	(166,264)
2022	(166,264)
2023	(166,379)
Thereafter	(428,612)

J. MEDICARE PART D – ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (“TRS-Care”) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. These payments totaled \$11,457, \$10,947, and \$13,436 for fiscal years 2018, 2017, and 2016, respectively.

K. HEALTH CARE COVERAGE

The District sponsors a modified self-insurance plan to provide health care benefits to staff during the year ended August 31, 2018, employees of the District were covered by health insurance plan (the Plan). The District paid premiums of \$338 per month per employee to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewed annually and the terms of coverage and costs are included in the contractual provisions.

L. LITIGATION

The District is occasionally involved in litigation in the general course of business. Attorneys for the District indicate that the La Pryor Independent School District has pending or threatened litigation as of August 31, 2018. No provision has been made in the financial statements regarding these matters.

M. DUE FROM STATE AGENCIES

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.

<u>FUND</u>	<u>STATE ENTITLEMENT</u>	<u>FEDERAL GRANT</u>	<u>TOTAL</u>
General	\$ 132,877	\$ -	\$ 132,877
Debt Service	-	-	-
Special Revenue	10,352	6,564	16,916
	<u>\$ 143,229</u>	<u>\$ 6,564</u>	<u>\$ 149,793</u>

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Property Taxes	\$ 1,118,722	\$ -	\$ 112,552	\$ 1,231,274
Penalties & Interest and Other				
Tax -related Income	26,074	-	2,452	28,526
Investment Income	33,139	-	694	33,833
Food Sales	24,477	-	-	24,477
Co-curricular Student Activities	16,471	-	-	16,471
Other	37,491	14,845	-	52,336
	<u>\$ 1,256,374</u>	<u>\$ 14,845</u>	<u>\$ 115,698</u>	<u>\$ 1,386,917</u>

O. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The District participates in numerous State and Federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018 may be impaired. In the opinion of the District, there were no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

P. PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB 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 prior period adjustment totaled \$(5,284,027) which resulted in a restated beginning net position balance of \$(112,326).

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REQUIRED SUPPLEMENTARY INFORMATION

LA PRYOR 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		
	Original	Final	
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 1,263,058	\$ 1,263,058
5800	State Program Revenues	4,491,655	4,491,655
5900	Federal Program Revenues	396,446	396,446
5020	Total Revenue	<u>6,151,159</u>	<u>6,151,159</u>
EXPENDITURES:			
Current:			
0011	Instruction	3,322,339	3,322,339
0012	Instructional Resources and Media Services	28,424	28,424
0013	Curriculum and Instructional Staff Development	24,700	24,700
0021	Instructional Leadership	138,262	138,262
0023	School Leadership	349,595	349,595
0031	Guidance Counseling and Evaluation Services	109,950	109,950
0032	Social Work Services	-	-
0033	Health Services	48,270	48,270
0034	Student (Pupil) Transportation	282,823	282,823
0035	Food Services	441,420	441,420
0036	Cocurricular/Extracurricular Activities	481,325	481,325
0041	General Administration	539,282	539,282
0051	Plant Maintenance and Operations	862,220	862,220
0052	Security and Monitoring Services	9,623	9,623
0053	Data Processing Services	163,996	163,996
Debt Service:			
0071	Debt Service - Principal on long-term debt	264,261	264,261
0072	Debt Service - Interest on long-term debt	40,292	40,292
Capital Outlay:			
0081	Facilities Acquisition and Construction	-	-
Intergovernmental:			
0099	Other Intergovernmental Charges	40,409	40,409
6030	Total Expenditures	<u>7,147,191</u>	<u>7,147,191</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>(996,032)</u>	<u>(996,032)</u>
OTHER FINANCING SOURCES (USES):			
7915	Operating Transfers In	59,270	59,270
8911	Operating Transfers Out	(59,270)	(59,270)
7080	Total Other Financing Sources (Uses)	-	-
1200	Net Change in Fund Balances	(996,032)	(996,032)
0100	Fund Balance - September 1 (Beginning)	2,723,209	2,723,209
	Prior Period Adjustment	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,727,177</u>	<u>\$ 1,727,177</u>

The accompanying notes are an integral part of this statement.

Actual Amounts (Budgetary Basis) (See Notes A)	Variance With Final Budget Positive (Negative)
\$ 1,256,374	\$ (6,684)
4,530,886	39,231
393,958	(2,488)
<u>6,181,218</u>	<u>30,059</u>
3,023,391	298,948
26,966	1,458
17,028	7,672
93,572	44,690
344,473	5,122
102,003	7,947
-	-
39,973	8,297
228,885	53,938
374,394	67,026
401,247	80,078
410,310	128,972
726,362	135,858
9,617	6
144,897	19,099
-	-
261,271	2,990
43,279	(2,987)
-	-
40,398	11
<u>6,288,066</u>	<u>859,125</u>
<u>(106,848)</u>	<u>889,184</u>
-	(59,270)
-	59,270
-	-
(106,848)	889,184
2,723,209	-
-	-
<u>\$ 2,616,361</u>	<u>\$ 889,184</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Districts Proportion of the Net Pension Liability (Asset)	0.0035840121%	.003544138%	0.0035694000%	0.0030293000%
Districts Proportionate Share of the Net Pension Liability (Asset)	\$ 1,145,974	\$ 1,339,381	\$ 1,261,735	\$ 809,168
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	1,968,505	2,166,213	2,213,869	2,023,900
Total	<u>\$ 3,114,479</u>	<u>\$ 3,505,594</u>	<u>\$ 3,475,604</u>	<u>\$ 2,833,068</u>
District's Covered-Employee Payroll	\$ 3,661,733	\$ 3,360,328	\$ 3,581,435	\$ 3,782,539
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of covered-Employee Payroll	31.30%	39.86%	35.23%	21.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

LA PRYOR INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 127,066	\$ 97,964	\$ 94,464	\$ 76,801
Contribution in Relation to the Contractually Required Contribution	(127,066)	(97,964)	(94,464)	(76,801)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 3,642,139	\$ 3,661,733	\$ 3,360,328	\$ 3,581,435
Contributions as a percentage of covered-Employee Payroll	3.49%	2.68%	2.81%	2.14%

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

	Measurement year Ended August 31, 2017
Districts Proportion of the Net OPEB Liability (Asset)	0.0069295870%
Districts Proportionate Share of the Net OPEB Liability (Asset)	\$ 3,013,417
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	2,792,648
Total	\$ 5,806,065
District's Covered-Employee Payroll	\$ 3,661,733
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of covered-Employee Payroll	82.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.91%

LA PRYOR INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2018

	Measurement year Ended August 31, 2018
Contractually Required Contribution	\$ 42,727
Contribution in Relation to the Contractually Required Contribution	(42,727)
Contribution Deficiency (Excess)	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 3,642,139
Contributions as a percentage of covered-Employee Payroll	1.17%

**LA PRYOR 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.

B. Notes to Schedules for the TRS OPEB Plan

Changes in 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.

REQUIRED T.E.A. SCHEDULES

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

For Years Ended August 31	(1)	(2)	(3)	(10)
	Tax Rates		Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/2017
	Maintenance	Debt Service		
2008 and prior years	Various	Various	Various	37,820.42
2009	1.17000	0.11000	43,530,314	3,592.29
2010	1.17000	0.11000	43,728,172	3,952.43
2011	1.17000	0.11000	48,171,685	5,907.16
2012	1.17000	0.10000	53,312,720	7,967.49
2013	1.17000	0.10000	61,915,155	13,063.19
2014	1.13320	0.10000	79,454,750	36,880.30
2015	1.13320	0.10000	88,790,332	48,022.99
2016	1.17000	0.11800	101,606,861	80,200.97
2017 (School year under audit)	1.17000	0.11800	100,375,240	
1000 TOTALS				\$ 237,407.24

(20) Current Year's Total Levy	(30) Maintenance Total Collections	(30) Debt Service Total Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
	\$1,148.59	\$86.30	\$0.00	\$36,585.53
	205.09	19.26	-	3,367.94
	75.10	7.84	(0.79)	3,870.28
	907.40	84.51	0.79	4,914.46
	804.57	68.74	-	7,094.18
	1,376.78	121.49	-	11,564.92
	4,844.61	427.53	6.51	31,601.65
	10,049.49	886.85	(193.47)	37,280.12
	26,615.51	2,684.36	(113.97)	51,015.07
<u>1,292,833.09</u>	<u>1,072,695.46</u>	<u>108,165.22</u>	<u>32,427.48</u>	<u>79,544.93</u>
<u>\$ 1,292,833.09</u>	<u>\$1,118,722.60</u>	<u>\$112,552.10</u>	<u>\$32,126.55</u>	<u>\$ 266,839.08</u>

LA PRYOR INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION PROGRAM
 YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts	
		Original	Final
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 28,238	\$ 28,238
5800	State Program Revenues	10,000	10,000
5900	Federal Program Revenues	343,912	343,912
5020	Total Revenue	<u>382,150</u>	<u>382,150</u>
EXPENDITURES:			
Current:			
0035	Food Services	441,420	441,420
0051	Plant Maintenance and Operations	-	-
0053	Data Processing Services	-	-
6030	Total Expenditures	<u>441,420</u>	<u>441,420</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>(59,270)</u>	<u>(59,270)</u>
OTHER FINANCING SOURCES (USES):			
7915	Operating Transfers In	59,270	59,270
8911	Operating Transfers Out	-	-
7080	Total Other Financing Sources (Uses)	<u>59,270</u>	<u>59,270</u>
1200	Net Change in Fund Balances	-	-
0100	Fund Balance - September 1 (Beginning)	96,840	96,840
1300	Cumulative Effect - Change in Accounting	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 96,840</u>	<u>\$ 96,840</u>

Actual Amounts (Budgetary Basis) (See Notes A)	Variance With Final Budget Favorable (Unfavorable)
\$ 24,477	\$ (3,761)
11,544	1,544
<u>341,425</u>	<u>(2,487)</u>
<u>377,446</u>	<u>(4,704)</u>
374,394	67,026
-	-
<u>374,394</u>	<u>67,026</u>
<u>3,052</u>	<u>62,322</u>
-	(59,270)
<u>-</u>	<u>-</u>
<u>-</u>	<u>(59,270)</u>
3,052	3,052
96,840	-
<u>-</u>	<u>-</u>
<u>\$ 99,892</u>	<u>\$ 3,052</u>

LA PRYOR INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 YEAR ENDED AUGUST 31, 2018

Data	Budgeted Amounts		
Control	Original	Final	
Codes			
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 116,910	\$ 116,910
5800	State Program Revenues	123,105	123,105
5900	Federal Program Revenues	-	-
5020	Total Revenue	<u>240,015</u>	<u>240,015</u>
EXPENDITURES:			
Current:			
0071	Debt Service - Principal on long-term debt	183,739	183,739
0171	Debt Service - Interest on long-term debt	74,400	74,400
6030	Total Expenditures	<u>258,139</u>	<u>258,139</u>
OTHER FINANCING SOURCES (USES):			
7901	Refunding Bonds Issued	-	-
7916	Premium or Discount on Issuance of Bonds	-	-
8940	Payment to bond refunding escrow agent	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balances	(18,124)	(18,124)
0100	Fund Balance - September 1 (Beginning)	159,878	159,878
1300	Cumulative Effect - Change in Accounting	-	-
3000	Fund Balance - August 31 (Ending)	<u>\$ 141,754</u>	<u>\$ 141,754</u>

Actual Amounts (Budgetary Basis) (See Notes A)	Variance With Final Budget Favorable (Unfavorable)
\$ 115,698	\$ (1,212)
123,646	541
-	-
<u>239,344</u>	<u>(671)</u>
100,000	83,739
71,850	2,550
<u>171,850</u>	<u>86,289</u>
-	-
-	-
-	-
<u>-</u>	<u>-</u>
67,494	85,618
159,878	-
-	-
<u>\$ 227,372</u>	<u>\$ 85,618</u>

REPORTS ON INTERNAL CONTROLS, COMPLILANCE
AND FEDERAL AWARDS

EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede
Donna Ede Jones

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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
La Pryor Independent School District
P. O. Box 519
La Pryor, TX 78872-0519

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 La Pryor Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise La Pryor Independent School District's basic financial statements, and have issued our report thereon dated January 20, 2019.

Internal Control Over Financial Reporting

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

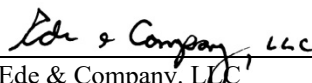
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 La Pryor Independent School District's financial statements are free of 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*.

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.


Ede & Company, LLC
Certified Public Accountants
Knippa, Texas

January 20, 2019

EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede
Donna Ede Jones

P. O. Box 219
Knippa, Texas 78870
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Email: edecpa@hotmail.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
La Pryor Independent School District
P. O. Box 519
La Pryor, TX 78872-0519

Members of the Board:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of La Pryor 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 La Pryor 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 La Pryor Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, La Pryor Independent School District's, 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.

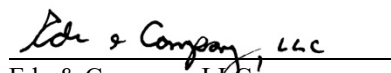
Report on Internal Control Over Compliance

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

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

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

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


Ede & Company, LLC
Certified Public Accountants
Knippa, Texas

January 20, 2019

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

- I. Summary of the Auditor's Results:
- a. We have issued an unmodified opinion on the financial statements of the La Pryor Independent School District.
 - b. No significant deficiencies in internal controls were disclosed by the audit of the financial statements.
 - c. Our audit disclosed no instances of noncompliance which were material to the financial statements of the La Pryor Independent School District.
 - d. Our audit disclosed no significant deficiencies in internal control over major programs.
 - e. We have issued an unmodified opinion on the District's compliance with laws and regulations for major programs.
 - f. Our audit disclosed no findings which we are required to report under section .510(a).
 - g. The following program was identified as a major programs:
 - CFDA # 84.010A ESEA Title I, Part A
 - h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.00.
 - i. The La Pryor Independent School District qualifies as 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.

None

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

III. Findings and Questioned Costs of Federal Awards Including Audit Findings as Described in 1f Above

None

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

N/A

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

None

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

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed through State Dept. of Education</u>			
ESEA Title I, Part A, 1003(A) Priority & Focus School	84.010A	1761012254902000	13,770
ESEA Title I, Part A, Improving Basis Programs	84.010A	18610101254902	316,644
Total CFDA Number 84.010A			<u>330,414</u>
ESEA Title 1, Part C, Migrant	84.011A	18615001254902	86,595
Total CFDA Number 84.011A			<u>86,595</u>
* IDEA Part B, Formula	84.027A	186600012549026600	91,004
Total CFDA Number 84.027A			<u>91,004</u>
* IDEA Part B, Preschool	84.173A	186610012549026610	3,411
Total CFDA Number 84.173A			<u>3,411</u>
Total Special Education Cluster (IDEA)			<u>94,415</u>
ESEA Title II, Part A Teacher & Principal Training	84.367A	18694501254902	24,938
Total CFDA Number 84.367A			<u>24,938</u>
ESEA Title II, Part A, Subpart 1	84.424A	18680101254902	1,993
Total CFDA Number 84.424A			<u>1,993</u>
<u>TOTAL DEPARTMENT OF EDUCATION</u>			<u>538,355</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through State Dept. of Education</u>			
National School & Breakfast Program *	10.553	71301301	281,031
Non Cash Assistance Lunch & Breakfast Program	10.553	71301301	23,859
Total Passed Through State Dept. of Education			<u>304,890</u>
<u>Passed Through Texas Department of Agriculture</u>			
Child and Adult Care Food Program	10.558	71301301	36,535
Total Passed Through Texas Department of Agriculture			<u>36,535</u>
<u>Passed Through Texas Dept. of Human Services</u>			
Summer Feeding Program	10.559	71301301	1,457
Total Passed Through State Dept. Of Human Services			<u>1,457</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			<u>342,882</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 881,237</u>

* Clustered Programs as required by Compliance Supplement March 2001.

**LA PRYOR INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018**

1. For all Federal programs, the District utilizes the fund types specified in the Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund determined by its measurement focus. The governmental Fund types and Expendable Trust Fund are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type. With this measurement focus, only current assets and current liabilities generally 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 Fund, 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 a expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

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 Availability of Federal Funds, Part 3, *OMB Circular A-133 Compliance Supplement-Provisional 6/97*.
4. CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering La Pryor Independent School District fiscal year beginning September 1 2009, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

LA PRYOR INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2018

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreements at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teacher Retirement System(TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Programs (FSP) funds as a result of a financial?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end..	N/A
SF11	Net Pension Assets (1920) at fiscal year end.	N/A
SF12	Net Pension Liabilities (2540) at fiscal year end.	\$1,145,974
SF13	Net OPEB Liability (2545) at fiscal year end	\$3,013,417